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DOMINION BUREAU OF STATISTICS

CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

OPERATING RESULTS MISCELLANEOUS KINDS OF RETAIL TRADE

1938

Coal and Wood Yards
Lumber and Building Materials Dealers
Furniture Stores
Jewellery Stores
Restaurants
Tobacco Stores

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CENSUS OF MERCHANDISING AND SERVICE ESTABLISHMENTS

Operating Results, Miscellaneous Kinds of Retail Trade in Canada, 1938

Introduction

This report is the last of a series presenting average operating results for various lines of retail trade in Canada in 1938. Separate bulletins have already been published for the following trades: hardware, drug, food (including grocery stores, combination stores and meat markets), clothing, apparel stores, and shoe stores, country general stores, filling stations and garages. The present report gives the results for the remaining lines of trade for which figures are available.

The basic data from which the series of reports on operating results was prepared were secured in connection with the annual survey of retail trade for 1938. Only a limited number of retail firms maintain detailed records of their operating expenses. In view of the lack of uniformity among business houses in methods of recording and classifying expense items the figures given in this report must be considered as being indicative of general relationships rather than as material the absolute accuracy of which can be guaranteed.

Coal and Wood Yards

Operating statements submitted by 187 retail coal and wood yards indicated that these establishments operated on an average gross margin ratio of 21.1 per cent of sales in 1938 while their total operating expenses amounted to 20.5 per cent of sales resulting in a net profit of 0.6 per cent of sales. Included in the operating expense figure is an imputed value for services of those proprietors who devoted most of their time to their retail business. The operating expense figures do not include any allowance for interest on own capital investment.

Of the 187 establishments covered, 105 or 56 per cent operated at a profit while the remaining 82 or 44 per cent operated at a loss. Gross margins as percentages of sales were similar for profitable and unprofitable firms but operating expenses were considerably higher for the unprofitable group. The 105 profitable firms operated on a gross margin ratio of 21.3 per cent of sales, had operating expenses of 19.1 per cent and a net operating profit of 2.2 per cent of sales. The 82 unprofitable firms operated on a gross margin of 20.9 per cent, and had operating expenses of 22.7 per cent with a consequent net loss of 1.8 per cent.

Annual sales averaged $53,461 per establishment for all firms reporting and ranged from $59,149 for the group of 105 profitable firms to $46,177 for the group of unprofitable firms.

Lumber and Building Material Dealers

Retail lumber and building material dealers operated on an average gross margin of 23.4 per cent of sales in 1938 according to statements secured from 124 firms. Operating expenses amounted to 22.1 per cent of sales leaving an average net profit of 1.3 per cent of sales. Stocks were turned an average of 3.7 times during the year.

The 124 firms reporting included 76 firms which secured a profit on the year's operations and 48 firms which operated at a loss. The 76 profitable firms secured a gross margin of 24.2 per cent of sales, had total expenses of 21.3 per cent of sales, yielding a net profit of 2.9 per cent of sales. The 48 unprofitable firms operated on an average gross margin ratio of 21.9 per cent of sales, and had operating expenses of 23.8 per cent, resulting in a net loss of 1.9 per cent of sales.

Annual sales averaged $67,689 for the 124 firms, and varied from $74,324 for the group of profitable firms to $57,184 for the group of unprofitable firms.

Furniture Stores

Retail furniture stores in Canada secured a net profit of 2.2 per cent of annual sales in 1938 and turned their stocks on an average of 2.7 times during the year according to detailed statements submitted by 92 stores whose sales averaged $72,923 each. Gross margin averaged 33.5 per cent of sales while operating expenses amounted to 31.3 per cent of sales.

Two-thirds of the 92 stores reporting secured a profit on the year's operations, while the other third operated at a loss. Gross margin as a percentage of net sales was almost identical for profitable and unprofitable stores but the profitable stores operated on a lower expense ratio than did the unprofitable group. There were 62 profitable stores whose sales averaged $82,463 each. These operated on a gross margin of 33.5 per cent of sales, and had total operating expenses of 29.9 per cent resulting in a net profit of 3.6 per cent of sales. These stores turned their stocks an average of 3.0 times during the year. There were 30 unprofitable stores whose annual sales averaged $53,207 and these operated on a gross margin of 33.4 per cent of sales and had total operating expenses of 35.4 per cent, resulting in a net loss of 2.0 per cent. These stores turned their stocks on an average of 2.1 times during the year.

Jewellery Stores

There were 102 jewellery stores which submitted statements of their operating results for 1938. These had average sales per store of $29,248, operated on an average gross margin of 40.2 per cent of sales and had total operating expenses of 37.6 per cent of sales yielding a net profit of 2.6 per cent of sales. Stocks were turned an average of 1.1 times during the year.

All the jewellery stores included in the survey occupied rented premises. There were 72 stores which operated at a profit. These had average sales per store of $31,207, secured an average gross margin of 40.7 per cent, had total operating expenses of 36.4 per cent resulting in a net profit of 4.3 per cent of sales. These stores turned their stocks an average of 1.2 times during the year. There were 30 unprofitable stores included in the survey. Annual sales for these averaged $24,548 per store; they operated on a gross margin ratio of 38.6 per cent and had total expenses of 41.2 per cent resulting in a net loss of 2.6 per cent of sales. Rate of stock-turnover was slightly lower at 0.9 times per year for unprofitable stores compared with the 1.2 times for the profitable group.

Restaurants

Detailed profit and loss statements for 1938 were received from 181 restaurants whose annual sales aggregated $5,924,296 or an average of $32,731 each. Gross margin averaged 40.2 per cent of sales; that is to say, out of every dollar spent by the customer in restaurants approximately 60 cents went towards paying for the goods consumed, while 40 cents was used in preparing the food, serving it, paying overhead expenses and providing a profit on the year's operations. Total expenses for the 181 establishments averaged 38.6 per cent of sales resulting in a net profit of 1.6 per cent.

The 181 establishments were divided in the ratio 57 per cent profitable and 43 per cent unprofitable firms. There were 104 restaurants which reported a profit and these had average annual sales amounting to $32,529. They operated on a gross margin ratio of 41.2 per cent, and had total operating expenses of 36.6 per cent resulting in a net profit of 4.6 per cent of sales. There were 77 unprofitable units whose annual turnover averaged $33,004. These operated on a gross margin ratio of 38.9 per cent and had total expenses of 41.2 per cent resulting in a net loss of 2.3 per cent of sales.

Tobacco Stores

The number of tobacco stores reporting detailed statements of profit and loss for 1938 was relatively small. The 55 stores for which figures are available had average annual sales of $21,316, operated on a gross margin ratio of 21.5 per cent, had total operating expenses of 20.6 per cent and secured an average net profit of 0.9 per cent of sales. Stocks were turned an average of 5.6 times during the year.

Three-fifths of the stores included in the survey secured a profit on the year's operations while two-fifths operated at a loss. The 33 profitable stores had average sales per store of $22,159, had a gross margin ratio of 22.0 per cent, total expense ratio of 19.2 per cent and secured a net profit of 2.8 per cent of sales. Stocks were turned 6.0 times during the year.

Average sales were lower at $20,051 for the unprofitable stores, gross margin ratio was also lower at 20.7 per cent while total expenses were higher at 23.1 per cent of sales. Rate of stockturn was also lower at 5.1 times per year for the unprofitable compared with the 6.0 times for the profitable stores.

Explanation of Terms

Proprietors' Earnings

Included in the payroll data are salaries and wages of employees and an estimated value for services of those proprietors who devoted the major proportion of their time to the operation of the business. The amounts attributed to those proprietors were determined in the following way: The expense schedules asked that the number and salaries of proprietors receiving a stated salary be reported. It also asked for the number of proprietors who did not receive a stated salary but whose remuneration consisted only of profits secured from the year's operations. The returns of those firms reporting proprietors' salaries were used in arriving at an average salary per proprietor for stores in different sizes of business. These averages were then assigned to all proprietors in each size class irrespective of whether or not stated salaries were reported. This practice leads to the classification as unprofitable of some returns whose actual figures may have shown a profit due to a very small amount being reported for proprietors' services. On the other hand, it transferred to the profitable classification some returns on which the appearance of an unduly large item for proprietors' salaries would have assigned to the unprofitable group had the figures been used as reported.

Average values of proprietors services for various size classes, and for the lines of business included in this report are as follows:

Annual Sales	Coal & Wood Yards	Lumber & Building Materials	Furniture	Jewellery	Restaurants	Tobacco Stores
$	$	$	$	$	$	$
5,000- 9,999	800	700	900	1,200	-	-
10,000-19,999	900	1,100	1,300	1,600	700	800
20,000-29,999	1,400	1,400	1,600	2,000	1,100	1,200
30,000-39,999	1,700	1,700	1,900	2,300	1,400	1,500
40,000-49,999	1,800	1,900	2,200	2,600	1,400	1,500
50,000-59,999	1,900	2,100	2,400	2,800	1,500	1,600
60,000-69,999	2,000	2,200	2,600	3,000	1,500	1,600
70,000-79,999	2,100	2,300	2,800	3,200	1,600	1,700
80,000-89,999	2,200	2,400	3,000	3,400	1,600	1,700
90,000-99,999	2,300	2,500	3,200	3,600	1,600	1,700
100,000 +	3,000	2,600	3,600	4,000	1,700	1,800

Gross Margin

Gross margin represents the difference between net sales and the cost of goods sold which amount is obtained by adjusting purchases of goods during the year for differences between year-end inventories. That is to say, cost of goods sold equals the value of inventory at the beginning of the year, increased by the value of goods purchased and decreased by the inventory at the end of the year. Value of purchases includes the invoice value of goods bought less any returns, allowances or discounts received from manufacturers or wholesalers. The cost of goods also includes duty and inward freight, express or truckage. Outward delivery costs and other store expenses are not included.

Payroll

Payroll includes salaries, wages and commissions paid to all employees including amounts paid to members of proprietors' families who serve in the capacity of employees. It also includes an imputed value for the services of proprietors who devote the major portion of their time to the business in question.

Advertising

Included in this item are all amounts paid for various types of advertising, newspaper, handbill, radio, etc.

Supplies

The amount reported under this heading includes expenditures for all supplies used in connection with the business such as wrapping paper, bags, twine, office supplies and in addition supplies such as gas and oil for the firm's own delivery equipment.

Communication

Telephone, telegraph and postage were to be reported under this heading.

Taxes

All licenses and taxes including both property and business taxes but exclusive of Dominion income taxes were to be reported here.

Insurance

Amount of premiums paid for insurance of all types carried in connection with the business was to be reported; fire, theft, plate glass, insurance on delivery equipment, etc.

Rent

Only rentals paid for premises actually used in connection with the business were to be reported.

Heat, Light and Power

Water rates, if paid separately from taxes, were to be included here in addition to all amounts paid for fuel, light and power.

Bad Debt Losses

Each firm was asked to report the amount actually written off as bad debts during the year less bad debts written off in previous years and recovered in the year in question. In some instances amounts transferred to bad debt reserves may have been reported rather than the amount actually written off.

Repairs and Maintenance

This item includes amounts paid for repairs and maintenance to buildings, furniture, fixtures and store or delivery equipment. Labour costs coming through the store's own payroll were to be included in the payroll item and not in this category.

Interest

Only interest paid on borrowed money, bank, mortgage, etc., was to be reported. No allowance was made for interest on own capital investment.

Depreciation

Each firm was asked to report what it considered to be a fair charge for annual depreciation on owned buildings, furniture and store or delivery equipment. From two to five per cent is generally allowed on the cost or purchase price of buildings depending upon the type of construction. Five per cent of cost is frequently allowed on store furniture and fixtures and twenty per cent on the cost of delivery equipment.

Sundry Expenses

This includes all expenses not otherwise allocated. No separate provision was made for amounts paid outside agencies for delivery to purchasers. Such amounts would normally be assigned to the sundry expense item.

Stock-turn Rate

Rate of stock-turn was obtained by dividing the average of the year-end stock figures into the cost of goods sold. By this means the numerator and denominator in the ratio were brought to the same value basis. But no information is available to indicate the extent to which the average of the year-end figures may be representative of the average stock carried throughout the twelve-month period. Thus while the ratios shown in the tables may be used as a basis for comparisons with individual results, their accuracy as a measure of the number of times that stock was turned over during the year cannot be guaranteed.

Table 1.--Operating Results of Coal and Wood Yards Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			$10,000 - $30,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	187	105	82	66	35	31
Total Sales	$9,997,179	6,210,659	3,786,520	1,292,026	686,139	605,887
Average Sales per Store	$ 53,461	59,149	46,177	19,576	19,604	19,545
PROFIT AND LOSS-(In percentages of sales)						
Gross Margin or Profit	21.1	21.3	20.9	22.6	23.7	21.3
Expenses						
Proprietor's salaries	2.9	3.1	2.7	6.1	5.7	6.4
Employee's salaries and wages	8.9	8.1	10.2	7.0	6.7	7.4
Advertising	0.5	0.5	0.5	0.5	0.5	0.4
Supplies	2.1	2.0	2.3	1.9	1.9	2.0
Communication	0.3	0.3	0.4	0.5	0.5	0.6
Rent	0.5	0.4	0.6	0.8	0.8	0.7
Taxes	0.8	0.7	0.9	0.9	0.8	1.1
Insurance	0.5	0.4	0.5	0.4	0.4	0.4
Light, heat and power	0.2	0.2	0.3	0.3	0.3	0.3
Repairs	0.9	0.8	1.0	0.7	0.6	0.9
Depreciation	1.2	1.1	1.3	1.3	1.0	1.6
Total occupancy costs(1)	4.1	3.6	4.6	4.4	3.9	5.0
Bad debts	0.6	0.6	0.6	0.7	0.6	0.9
Interest on borrowed money ..	0.5	0.4	0.6	0.4	0.4	0.4
Sundry expense	0.6	0.5	0.8	1.0	0.7	1.3
Total Expense	20.5	19.1	22.7	22.5	20.9	24.4
Net Profit or Loss	+0.6	+2.2	-1.8	+0.1	+2.8	-3.1

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 1.--Operating Results of Coal and Wood Yards Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES					
	$30,000 - $50,000			$50,000 - $100,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
	GENERAL INFORMATION					
Number of Stores Reporting	48	23	25	49	30	19
Total Sales	$1,843,992	869,833	974,159	3,344,194	2,162,244	1,181,950
Average Sales per Store	$ 38,417	37,819	38,966	68,249	72,075	62,208
	PROFIT AND LOSS--(In percentages of sales)					
Gross Margin or Profit	22.8	23.5	22.1	21.2	21.4	20.8
Expenses						
Proprietor's salaries	4.1	5.2	3.2	2.9	3.1	2.6
Employee's salaries and wages	9.2	7.7	10.5	8.7	7.8	10.3
Advertising	0.5	0.5	0.5	0.5	0.6	0.4
Supplies	2.1	2.0	2.2	2.4	2.1	3.0
Communication	0.4	0.4	0.4	0.3	0.3	0.4
Rent	0.7	0.7	0.7	0.4	0.3	0.5
Taxes	0.9	0.8	1.0	0.7	0.7	0.8
Insurance	0.6	0.6	0.7	0.4	0.4	0.4
Light, heat and power	0.3	0.3	0.3	0.3	0.3	0.3
Repairs	1.2	0.9	1.4	0.8	0.8	0.8
Depreciation	1.4	1.1	1.6	1.2	1.2	1.2
Total occupancy costs(1)	5.1	4.4	5.7	3.8	3.7	4.0
Bad debts	0.4	0.3	0.5	0.6	0.7	0.4
Interest on borrowed money ..	0.3	0.2	0.4	0.5	0.3	0.8
Sundry expense	0.4	0.3	0.5	0.5	0.3	0.8
Total Expense	22.5	21.0	23.9	20.2	18.9	22.7
Net Profit or Loss	+0.3	+2.5	-1.8	+1.0	+2.5	-1.9

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 1.--Operating Results of Coal and Wood Yards Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES		
	$100,000 and over		
	Total	Profitable	Unprofitable
	GENERAL INFORMATION		
Number of Stores Reporting	24	17	7
Total Sales	$3,516,967	2,492,443	1,024,524
Average Sales per Store	$ 146,540	146,614	146,361
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	19.7	19.7	19.6
Expenses			
Proprietor's salaries	1.2	1.6	0.3
Employee's salaries and wages	9.5	8.8	11.4
Advertising	0.5	0.5	0.6
Supplies	1.9	1.9	1.8
Communication	0.3	0.2	0.4
Rent	0.4	0.4	0.5
Taxes	0.7	0.5	0.9
Insurance	0.5	0.4	0.5
Light, heat and power	0.2	0.2	0.1
Repairs	0.9	0.9	0.9
Depreciation	1.0	1.0	0.8
Total occupancy costs(1)	3.7	3.4	3.7
Bad debts	0.6	0.6	0.7
Interest on borrowed money	0.5	0.5	0.7
Sundry expense	0.7	0.6	1.0
Total Expense	18.9	18.1	20.6
Net Profit or Loss	+0.8	+1.6	-1.0

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 2.--Operating Results of Lumber and Building Materials Dealers Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Firms, Total			$10,000 - $30,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Firms Reporting	124	76	48	32	18	14
Total Sales	$8,393,471	5,648,657	2,744,814	683,787	387,218	296,569
Average Sales per Firm	$ 67,689	74,324	57,184	21,368	21,512	21,184
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	23.4	24.2	21.9	25.2	27.0	22.8
Expenses						
Proprietor's salaries	1.8	1.6	2.2	4.2	4.7	3.5
Employee's salaries and wages	11.2	10.8	12.1	10.1	8.6	12.0
Advertising	0.5	0.5	0.4	0.3	0.4	0.3
Supplies	1.7	1.6	2.0	1.4	1.3	1.6
Communication	0.4	0.4	0.4	0.5	0.6	0.5
Rent	0.5	0.6	0.3	0.4	0.5	0.2
Taxes	0.9	0.8	1.0	1.2	1.0	1.5
Insurance	0.5	0.5	0.6	0.6	0.4	0.8
Light, heat and power	0.4	0.4	0.3	0.5	0.6	0.4
Repairs	0.6	0.6	0.7	0.7	0.5	0.9
Depreciation	1.0	1.0	1.1	1.4	1.0	2.0
Total occupancy costs(1)	3.9	3.9	4.0	3.8	4.0	5.8
Bad debts	1.2	1.1	1.3	1.1	1.1	1.1
Interest on borrowed money ..	0.7	0.6	0.7	1.0	0.9	1.0
Sundry expense	0.7	0.8	0.7	0.7	0.6	0.8
Total Expense	22.1	21.3	23.8	24.1	22.2	26.6
Net Profit or Loss	+1.3	+2.9	-1.9	+1.1	+4.8	-3.8
OTHER INFORMATION						
Stock Turnover (times per year)	3.7	3.4	4.2	3.2	2.8	3.9

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 2.--Operating Results of Lumber and Building Materials Dealers Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES					
	$30,000 - $50,000			$50,000 - $100,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Firms Reporting	33	18	15	32	21	11
Total Sales	$1,330,471	702,470	628,001	2,397,544	1,580,404	817,140
Average Sales per Firm	$ 40,317	39,026	41,867	74,923	75,257	74,285
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	22.6	24.1	21.0	23.2	24.3	21.0
Expenses						
Proprietor's salaries	3.3	2.8	3.9	1.3	1.3	1.1
Employee's salaries and wages	9.7	9.7	9.7	11.6	10.6	13.4
Advertising	0.[illegible]	0.5	0.4	0.6	0.7	0.4
Supplies	1.8	1.4	2.2	1.5	1.5	1.6
Communication	0.4	0.3	0.5	0.3	0.4	0.3
Rent	0.6	0.6	0.5	0.4	0.6	-
Taxes	1.0	0.8	1.1	0.9	0.9	1.1
Insurance	0.5	0.5	0.4	0.7	0.6	0.9
Light, heat and power	0.2	0.3	0.2	0.4	0.3	0.4
Repairs	0.6	0.7	0.5	0.8	0.8	0.8
Depreciation	1.0	1.1	1.0	1.1	1.1	1.1
Total occupancy costs(1)	3.9	4.0	3.7	4.3	4.3	4.3
Bad debts	1.0	0.9	1.2	0.9	1.0	0.7
Interest on borrowed money ..	0.5	0.5	0.6	0.7	0.7	0.7
Sundry expense	0.8	0.6	1.0	0.7	0.8	0.6
Total Expense	21.8	20.7	23.2	21.9	21.3	23.1
Net Profit or Loss	+0.8	+3.4	-2.2	+1.3	+3.0	-2.1
OTHER INFORMATION						
Stock Turnover (times per year)	4.0	3.5	4.6	3.0	2.6	4.1

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 2.--Operating Results of Lumber and Building Materials Dealers Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES $100,000 and over Total	Profitable	Unprofitable
GENERAL INFORMATION			
Number of Firms Reporting	27	19	8
Total Sales	$3,981,669	2,978,565	1,003,104
Average Sales per Firm	$147,469	156,767	125,388
PROFIT AND LOSS--(In percentages of sales)			
Gross Margin or Profit	23.6	23.7	23.1
Expenses			
Proprietor's salaries	1.2	1.1	1.5
Employee's salaries and wages	11.8	11.5	12.7
Advertising	0.4	0.4	0.5
Supplies	1.8	1.7	2.3
Communication	0.3	0.3	0.3
Rent	0.6	0.6	0.6
Taxes	0.8	0.8	0.8
Insurance	0.5	0.5	0.4
Light, heat and power	0.4	0.5	0.1
Repairs	0.5	0.5	0.6
Depreciation	0.9	0.8	1.1
Total occupancy costs(1)	3.7	3.7	3.6
Bad debts	1.4	1.2	1.9
Interest on borrowed money	0.6	0.6	0.7
Sundry expense	0.8	0.8	0.6
Total Expense	22.0	21.3	24.1
Net Profit or Loss	+1.6	+2.4	-1.0
OTHER INFORMATION			
Stock Turnover (times per year)	4.2	4.2	4.2

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 3.--Operating Results of Furniture Stores Classified by Sales Volume and Occupancy Basis, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			Less than $50,000		
	Total	Owned	Rented	Total	Owned	Rented
GENERAL INFORMATION						
Number of Stores Reporting	92	25	67	43	13	30
Total Sales	$6,708,900	1,532,116	5,176,784	1,209,576	293,400	916,176
Average Sales per Store	$ 72,923	61,285	77,265	28,130	22,569	30,539
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	33.5	34.5	33.2	32.1	30.5	32.7
Expenses						
Payroll	16.1	18.0	15.5	16.5	16.6	16.5
Advertising	2.3	2.3	2.4	1.3	1.1	1.3
Supplies	1.9	1.9	2.0	2.1	2.0	2.2
Communication	0.4	0.4	0.4	0.6	0.6	0.6
Rent	2.9	-	3.7	3.7	-	4.8
Taxes	0.9	1.7	0.7	1.0	2.0	0.7
Insurance	0.6	0.8	0.5	0.7	1.2	0.6
Light, heat and power	1.0	1.1	0.9	1.0	1.0	1.1
Repairs	0.7	1.0	0.6	0.3	0.4	0.3
Depreciation	0.7	1.2	0.6	1.1	1.9	0.8
Bad debts	1.7	1.6	1.7	1.1	1.0	1.1
Interest on borrowed money ..	1.0	1.1	0.9	1.1	1.3	1.0
Sundry expense	1.1	0.9	1.1	1.2	0.4	1.4
Total Expense	31.3	32.0	31.0	31.7	29.5	32.4
Net Profit or Loss	+2.2	+2.5	+2.2	+0.4	+1.0	+0.3
OTHER INFORMATION						
Stock Turnover (times per year)	2.7	2.2	2.9	1.9	1.6	2.1

Table 3.--Operating Results of Furniture Stores Classified by Sales Volume and Occupancy Basis, Canada, 1938 - (Cont.)

	AMOUNT OF ANNUAL SALES $50,000 and over		
	Total	Owned	Rented
	GENERAL INFORMATION		
Number of Stores Reporting	49	12	37
Total Sales	$5,499,324	1,238,716	4,260,608
Average Sales per Store	$ 112,231	103,226	115,152
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	33.8	35.4	33.3
Expenses			
Payroll	16.1	18.3	15.3
Advertising	2.6	2.6	2.6
Supplies	1.9	1.9	1.9
Communication	0.4	0.4	0.4
Rent	2.7	-	3.5
Taxes	0.9	1.6	0.7
Insurance	0.5	0.7	0.5
Light, heat and power	1.0	1.1	0.9
Repairs	0.7	1.2	0.6
Depreciation	0.6	1.0	0.5
Bad debts	1.8	1.7	1.8
Interest on borrowed money ..	0.9	1.1	0.9
Sundry expense	1.0	1.0	1.1
Total Expense	31.1	32.6	30.7
Net Profit or Loss	+2.7	+2.8	+2.6
	OTHER INFORMATION		
Stock Turnover (times per year)	3.0	2.5	3.1

Table 4.--Operating Results of Furniture Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			Less than $50,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
	GENERAL INFORMATION					
Number of Stores Reporting	92	62	30	43	22	21
Total Sales	$6,708,900	5,112,680	1,596,220	1,209,576	616,682	592,894
Average Sales per Store	$ 72,923	82,463	53,207	28,130	28,031	28,233
	PROFIT AND LOSS--(In percentages of sales)					
Gross Margin or Profit	33.5	33.5	33.4	32.1	32.4	31.8
Expenses						
Payroll	16.1	15.6	17.9	16.5	15.0	18.1
Advertising	2.3	2.5	1.8	1.3	1.1	1.4
Supplies	1.9	1.8	2.3	2.1	2.1	2.2
Communication	0.4	0.4	0.6	0.6	0.5	0.7
Rent	2.9	2.6	3.7	3.7	3.2	4.1
Taxes	0.9	0.8	1.1	1.0	0.8	1.2
Insurance	0.6	0.5	0.7	0.7	0.8	0.7
Light, heat and power	1.0	1.0	1.1	1.0	0.9	1.2
Repairs	0.7	0.7	0.6	0.3	0.3	0.4
Depreciation	0.7	0.7	0.7	1.1	1.1	1.0
Total occupancy costs(1)	6.8	6.3	7.9	7.8	7.1	8.6
Bad debts	1.7	1.5	2.1	1.1	1.0	1.1
Interest on borrowed money	1.0	0.8	1.5	1.1	1.0	1.2
Sundry expense	1.1	1.0	1.3	1.2	0.7	1.7
Total Expense	31.3	29.9	35.4	31.7	28.5	35.0
Net Profit or Loss	+2.2	+3.6	-2.0	+0.4	+3.9	-3.2
	OTHER INFORMATION					
Stock Turnover (times per year)	2.7	3.0	2.1	1.9	2.1	1.7

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 4.--Operating Results of Furniture Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES $50,000 and over		
	Total	Profitable	Unprofitable
	GENERAL INFORMATION		
Number of Stores Reporting	49	40	9
Total Sales	$5,499,324	4,495,998	1,003,326
Average Sales per Store	$ 112,231	112,400	111,481
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	33.8	33.7	34.3
Expenses			
Payroll	16.1	15.5	17.8
Advertising	2.6	2.7	2.0
Supplies	1.9	1.8	2.3
Communication	0.4	0.4	0.5
Rent	2.7	2.5	3.6
Taxes	0.9	0.8	1.1
Insurance	0.5	0.5	0.8
Light, heat and power	1.0	1.0	1.0
Repairs	0.7	0.8	0.7
Depreciation	0.6	0.7	0.5
Total occupancy costs(1)	6.4	6.3	7.7
Bad debts	1.8	1.6	2.6
Interest on borrowed money	0.9	0.8	1.7
Sundry expense	1.0	1.0	1.1
Total Expense	31.1	30.1	35.7
Net Profit or Loss	+2.7	+3.6	-1.4
	OTHER INFORMATION		
Stock Turnover (times per year) ...	3.0	3.1	2.4

(1) Sum of six preceding items including some expenses not strictly applicable to occupancy costs.

Table 5.--Operating Results of Jewellery Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			Less than $30,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
	GENERAL INFORMATION					
Number of Stores Reporting	102	72	30	71	48	23
Total Sales	$2,983,299	2,246,873	736,426	1,082,113	707,729	374,384
Average Sales per Store	$ 29,248	31,207	24,548	15,241	14,744	16,278
	PROFIT AND LOSS--(In percentages of sales)					
Gross Margin or Profit	40.2	40.7	38.6	42.7	45.1	33.2
Expenses						
Payroll	20.6	19.7	23.2	22.0	21.2	23.4
Advertising	2.5	2.8	1.9	1.5	1.6	1.3
Supplies	1.6	1.5	1.9	1.3	1.4	1.2
Communication	0.6	0.6	0.7	0.8	0.7	0.8
Rent(1)	5.6	5.5	5.9	6.7	6.6	7.0
Taxes	1.0	0.8	1.4	1.0	0.8	1.2
Insurance	0.8	0.8	1.0	0.8	0.7	1.0
Light, heat and power	0.9	0.8	0.9	1.1	1.1	1.0
Repairs	0.6	0.6	0.4	0.5	0.6	0.4
Depreciation	1.3	1.2	1.9	1.3	1.3	1.4
Bad debts	0.6	0.6	0.6	0.6	0.6	0.6
Interest on borrowed money	0.6	0.5	0.7	0.6	0.5	0.9
Sundry expense	0.9	1.0	0.7	0.8	0.7	0.9
Total Expense	37.6	36.4	41.2	39.0	37.8	41.1
Net Profit or Loss	+2.6	+4.3	-2.6	+3.7	+7.3	-2.9
	OTHER INFORMATION					
Stock Turnover (times per year)	1.1	1.2	0.9	0.8	0.9	0.8

(1) All the 102 stores reporting occupied rented premises.

Table 5.--Operating Results of Jewellery Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES		
	$30,000 and over		
	Total	Profitable	Unprofitable
	GENERAL INFORMATION		
Number of Stores Reporting	31	24	7
Total Sales	$1,901,186	1,539,144	362,042
Average Sales per Store	$ 61,329	64,131	51,720
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	38.8	38.7	39.1
Expenses			
Payroll	19.8	19.0	22.9
Advertising	3.1	3.3	2.4
Supplies	1.8	1.6	2.6
Communication	0.6	0.6	0.6
Rent(1)	4.9	4.9	4.9
Taxes	1.0	0.8	1.7
Insurance	0.8	0.8	1.0
Light, heat and power	0.8	0.7	0.8
Repairs	0.6	0.7	0.3
Depreciation	1.3	1.1	2.4
Bad debts	0.6	0.6	0.7
Interest on borrowed money	0.5	0.5	0.4
Sundry expense	1.0	1.1	0.5
Total Expense	36.8	35.7	41.2
Net Profit or Loss	+2.0	+3.0	-2.1
	OTHER INFORMATION		
Stock Turnover (times per year) ..	1.3	1.4	1.0

(1) All the 102 stores reporting occupied rented premises.

Table [illegible].--Operating Results of Restaurants Classified by Sales Volume
and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			$10,000-$19,999		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	181	104	77	56	32	24
Total Sales	$5,924,296	3,383,024	2,541,272	836,717	482,521	354,196
Average Sales per Store	$ 32,731	32,529	33,004	14,941	15,079	14,758
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	40.2	41.2	38.9	37.8	40.0	34.9
Expenses						
Proprietor's Salaries	3.0	3.2	2.6	5.0	5.3	4.6
Employee's Salaries and Wages .	20.2	18.8	22.2	15.2	13.8	17.0
Advertising	0.5	0.4	0.7	0.4	0.4	0.3
Communication	0.2	0.2	0.2	0.2	0.1	0.3
Rent(1)	5.2	4.9	5.7	6.8	6.3	7.5
Taxes	0.7	0.7	0.6	0.9	0.8	1.0
Insurance	0.3	0.3	0.3	0.2	0.3	0.2
Light, Heat and Power	3.9	3.6	4.3	4.4	4.5	4.2
Repairs	1.2	1.2	1.3	1.2	1.5	0.9
Depreciation	1.9	1.9	1.7	1.7	1.7	1.8
Bad debts	0.1	0.1	0.1	0.1	0.2	0.1
Interest on Borrowed Money	0.1	0.1	0.1	0.1	-	0.1
Sundry Expense	1.3	1.2	1.4	0.7	0.7	0.7
Total Expense	38.6	36.6	41.2	36.9	35.6	38.7
Net Profit or Loss	+1.6	+4.6	-2.3	+0.9	+4.4	-3.8

(1) All the 181 firms reporting occupied rented premises.

Note:- The category of expense items listed above does not include supplies. In this line of business, supplies are included in cost of goods sold.

Table 6.--Operating Results of Restaurants Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES					
	$20,000-$29,999			$30,000-$49,999		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	44	27	17	53	30	23
Total Sales	$1,139,542	711,619	427,923	2,034,188	1,164,447	869,741
Average Sales per Store	$ 25,899	26,356	25,172	38,381	38,815	37,815
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	39.2	41.1	36.1	40.2	41.0	39.0
Expenses						
Proprietor's Salaries	4.0	3.1	5.4	2.6	3.2	1.9
Employee's Salaries and Wages	17.8	18.2	17.1	21.2	19.5	23.6
Advertising	0.4	0.4	0.4	0.5	0.4	0.5
Communication	0.2	0.1	0.3	0.2	0.2	0.2
Rent (1)	4.9	4.9	4.8	4.9	4.6	5.3
Taxes	0.6	0.7	0.4	0.5	0.5	0.6
Insurance	0.3	0.3	0.4	0.3	0.3	0.3
Light, heat and power	4.3	3.8	5.1	3.8	3.5	4.2
Repairs	1.4	1.1	1.9	1.0	1.0	1.0
Depreciation	1.9	2.0	1.7	2.1	2.2	1.9
Bad debts	0.1	0.2	0.1	0.1	0.1	0.1
Interest on borrowed money	0.1	0.1	0.1	0.1	0.2	0.1
Sundry expense	1.2	1.1	1.4	1.6	1.5	1.6
Total Expense	37.2	36.0	39.1	38.9	37.2	41.3
Net Profit or Loss	+2.0	+5.1	-3.0	+1.3	+3.8	-2.3

(1) All the 181 firms reporting occupied rented premises.

Note:- The category of expense items listed above does not include supplies. In this line of business, supplies are included in cost of goods sold.

Table 6.--Operating Results of Restaurants Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES $50,000-$99,999		
	Total	Profitable	Unprofitable
	GENERAL INFORMATION		
Number of Stores Reporting	28	15	13
Total Sales	$1,913,849	1,024,437	889,412
Average Sales per Store	$ 68,352	68,296	68,416
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	41.8	42.1	41.6
Expenses			
Proprietor's salaries	1.8	2.4	1.2
Employee's salaries and wages ..	22.9	20.8	25.3
Advertising	0.8	0.5	1.1
Communication	0.2	0.2	0.2
Rent(1)	5.1	4.4	5.8
Taxes	0.7	0.9	0.5
Insurance	0.3	0.3	0.4
Light, heat and power	3.6	3.3	4.0
Repairs	1.4	1.2	1.6
Depreciation	1.7	1.7	1.6
Bad debts	-	-	-
Interest on borrowed money	0.1	0.1	0.1
Sundry expense	1.3	1.2	1.4
Total Expense	39.9	37.0	43.2
Net Profit or Loss	+1.9	+5.1	-1.6

(1) All the 181 firms reporting occupied rented premises.

Note:- The category of expense items listed above does not include supplies. In this line of business, supplies are included in cost of goods sold.

Table 7.--Operating Results of Tobacco Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938

Item	AMOUNT OF ANNUAL SALES					
	All Stores, Total			$5,000-$20,000		
	Total	Profitable	Unprofitable	Total	Profitable	Unprofitable
GENERAL INFORMATION						
Number of Stores Reporting	55	33	22	30	19	11
Total Sales	$1,172,381	731,255	441,126	402,885	296,063	106,822
Average Sales per Store	$ 21,316	22,159	20,051	13,430	15,582	9,711
PROFIT AND LOSS--(In percentages of sales)						
Gross Margin or Profit	21.5	22.0	20.7	21.9	21.6	22.6
Expenses						
Proprietor's salaries	4.8	4.6	5.1	7.4	6.8	9.2
Employee's salaries and wages .	6.4	6.2	6.9	3.7	3.0	5.8
Advertising	0.2	0.3	0.1	0.2	0.2	-
Supplies	0.4	0.5	0.4	0.4	0.4	0.3
Communication	0.2	0.2	0.2	0.2	0.2	0.2
Rent	4.9	4.2	6.0	5.6	5.4	6.2
Taxes	0.7	0.6	0.9	0.6	0.5	0.7
Insurance	0.4	0.3	0.5	0.4	0.3	0.7
Light, heat and power	1.0	0.9	1.1	1.1	0.8	2.0
Repairs	0.3	0.3	0.2	0.1	0.1	0.2
Depreciation	0.7	0.7	0.6	0.5	0.6	0.4
Bad debts	-	-	0.1	0.1	-	0.1
Interest on borrowed money	0.2	0.1	0.4	0.1	0.2	-
Sundry expenses	0.4	0.3	0.6	0.3	0.3	0.1
Total Expense	20.6	19.2	23.1	20.7	18.8	25.9
Net Profit or Loss	+0.9	+2.8	-2.4	+1.2	+2.8	-3.3
OTHER INFORMATION						
Stock Turnover (times per year) .	5.6	6.0	5.1	4.8	5.5	3.4

Table 7.--Operating Results of Tobacco Stores Classified by Sales Volume and Net Profit or Loss, Canada, 1938 - (Cont.)

Item	AMOUNT OF ANNUAL SALES $20,000-$50,000		
	Total	Profitable	Unprofitable
	GENERAL INFORMATION		
Number of Stores Reporting	25	14	11
Total Sales	$769,496	435,192	334,304
Average Sales per Store	$ 30,780	31,085	30,391
	PROFIT AND LOSS--(In percentages of sales)		
Gross Margin or Profit	21.3	22.2	20.1
Expenses			
Proprietor's salaries	3.5	3.2	3.8
Employee's salaries and wages	7.9	8.3	7.3
Advertising	0.3	0.4	0.2
Supplies	0.5	0.5	0.4
Communication	0.2	0.2	0.2
Rent	4.5	3.5	5.9
Taxes	0.7	0.5	0.9
Insurance	0.3	0.3	0.4
Light, heat and power	0.9	1.0	0.9
Repairs	0.3	0.4	0.2
Depreciation	0.7	0.7	0.7
Bad debts	-	-	-
Interest on borrowed money	0.3	0.1	0.5
Sundry expenses	0.5	0.3	0.8
Total Expense	20.6	19.4	22.2
Net Profit or Loss	+0.7	+2.8	-2.1
	OTHER INFORMATION		
Stock Turnover (times per year)	6.2	6.4	5.9

Not published 1939-43

Errata

Operating Results of Unincorporated Retail Stores

1944

Bulletin No. 5

Independent Drug Stores

The figures shown in Item 18 on pages 32 and 33 of the above report and relating to "Average Proprietor's Net Earnings per Store" are in error. As shown they relate to the total earnings for the group of stores in the sample. The correct figures are given below:

Annual Sales and Occupancy Basis	Proprietor's Net Earnings Per Store	
	As shown	Corrected
	$	$
Less than $10,000		
Owned	7,028	879
$10,000 - $19,999		
Owned	26,609	2,419
Rented	76,161	2,004
$20,000 - $29,999		
Owned	39,838	3,064
Rented	132,750	3,161
$30,000 - $49,999		
Owned	74,829	5,756
Rented	30,179	4,134
$50,000 and over		
Owned	65,885	9,412
Rented	386,993	8,234

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Minister of Trade and Commerce

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DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES BRANCH

OPERATING RESULTS OF UNINCORPORATED RETAIL STORES

1944

Bulletin No. 5

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FOREWORD

For some time the Bureau has recognized the practical value of published information on average operating results, that is, on average rates of expenses and profits, etc., in the principal retail trades. Indeed the first studies of this nature were made for the year 1938, and since then an increasing demand for such information has been experienced by this Bureau. It is in response to this demand that the present series of reports is now being issued.

Concerned mainly with average expense and profit percentages, comprehensive information on the operating results of retail stores deals with many of the significant factors which eventually determine their success or failure. Such information therefore represents the results which many retailers have obtained in meeting the problems that are common to their particular kind of business. Statistics of this nature, moreover, have the practical value of enabling individual merchants to compare their own rates of expenses and profits with the results of similar stores in their trade, from which they can isolate for further analysis the areas in which their performance has been below average. The resulting opportunities for improving the efficiency in retail store managements may well be of some importance in peacetime as Canadian retailers under more competitive conditions endeavour to distribute the products of an expanded industrial economy. These considerations and possibilities have been set forth under the heading "Importance of Information on Operating Results in Retail Trade" commencing on page 2 of these reports. A separate discussion beginning on page 8 under the topic "How the Retailer Can Use Information on Operating Results" has also been included as a possible guide to retailers using the bulletins.

It must be emphasized here, however, that the statistics presented in these reports are subject to important limitations in respect to their coverage and representativeness. This is because the figures are based, not upon a comprehensive survey of large numbers of co-operating stores, but rather upon comparatively small sample numbers of such firms. These samples, of course, should be large enough to permit the different influences affecting operating results to average themselves out and thus present the more typical operating experiences of stores in the different size and occupancy classifications of stores. For many kinds of stores, unfortunately, the number of usable returns when distributed between these classifications may be too small to permit any special or erratic conditions completely to iron or cancel themselves out. These aspects of the reports are discussed more fully under the heading "Limitations to Information on Operating Results" on page 6 of the bulletins, and to some extent under "How the Retailer Can Use Information on Operating Results" on page 8, to both of which the reader is referred. It should therefore be noted that the present studies are tentative in nature and must await the results of subsequent surveys for conclusive evidence as to the validity of many of the statistics herein presented.

In spite of the preliminary nature of the statistics, however, these reports are being issued in the belief that they will at least reveal the future scope for such studies and may well provide some useful, although perhaps rough, indications of the operating experiences of the retail trades under review. The bulletins have been prepared in the Merchandising and Services Branch of the Bureau, of which Mr. A.C. Steedman, B.A., is Chief, by Mr. A.M. Chipman, M.B.A., Statistician in the Branch. The suggestions of those obtaining and using these reports will be most welcome to the end that better and more useful studies can be made in future.

Herbert Marshall

H. Marshall,
Dominion Statistician.

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Series, 1944
No. 14

16 - 7050

OPERATING RESULTS OF INDEPENDENT RETAIL STORES, 1944.

PART I - GENERAL SECTION

This report is one of a series presenting average operating results in selected branches of retail trade for 1944 and, where possible, for both 1941 and 1944. The first series of such studies was made by the Bureau for the year 1938 and presented somewhat similar information on average operating expenses and profits against which individual firms could compare their own results. Since that time requests have been received on an expanding scale for corresponding types of reports, a fact which indicates the growing interest of merchants and others in information on costs in retail trade. It is in response to this demand that these reports are now being issued.

The basic information for such studies was obtained primarily for the purpose of improving the Bureau's estimates of the country's National Income which originated in unincorporated and independent retail stores. Such establishments predominate to a marked extent in retail trade, comprising 90 per cent of all 137,331 stores enumerated in the 1941 Census, accounting for 55 per cent of total sales of $3,440,901,700, and providing a livelihood for nearly 132,000 proprietors and partners. The net earnings of these proprietors and partners thus represent an important contribution to the National Income totals. Aggregate figures on these net earnings, however, are not readily available to the Bureau from other sources and for this reason it was decided early in 1945 to obtain the required information by a direct survey of sample groups of retail stores.

Accurate and comprehensive figures on the National Income are now regarded as one of the best measures of the purchasing power and economic activity of the country. These statistics, consequently, are highly important as aids to both governments and business in the determination of their plans and policies, and particularly so in relation to the problem of maintaining high levels of employment within the country. Periodic surveys of retail trade will therefore be made to obtain the information necessary to estimate accurately the total net earnings of unincorporated retail stores for inclusion in the National Income statistics.

In carrying out this task it is hoped that information on average operating results will be made available to retailers in even greater detail than has been found possible in the recent survey. Thus, the co-operation of retailers in supplying information on their own operating experiences has two beneficial

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results. In the first instance, it enhances the accuracy of the Bureau's estimates of the National Income and the soundness of the governmental and business policies which are based on such figures. Secondly, the co-operation of retailers in these surveys provides them with yardsticks of performance against which they can compare their own financial results.

The figures which co-operating retailers supply to the Bureau on their costs, expenses and profits are quite obviously highly confidential in nature. They are strictly so regarded by the Bureau and are used only for the two purposes just outlined with no disclosures of the results of individual operations being made.

Information Contained in Reports on Retail Operating Results.

The information presented in this and subsequent bulletins consists primarily of the financial results which the different kinds of co-operating stores obtained in the year under review. The information consequently covers such individual items as net sales, purchases of merchandise for resale and beginning and ending merchandise inventories, cost of goods sold, gross trading profits after costs of merchandise sold have been deducted from sales, the several categories of operating expenses incurred during the period and finally the net earnings available to proprietors after all costs and expenses have been subtracted from sales. In other words, the information here under study consists of the more important financial items usually found in the typical retail Profit and Loss Statement.

There are of course many general factors which commonly affect the financial results of retail stores. Three of the more important of these consist of the kind of business, that is whether the store is a grocery, an apparel, a furniture store, etc., the amount of annual sales made by the store, and the basis of occupancy, that is whether the store is owned or rented. The reports of the co-operating retail stores were therefore classified by kind of business and within the kind of business categories into groups according to the amount of sales made. These groups were again divided by method of occupancy into "owned" and "rented" categories. The figures were then compiled for each of the individual groups and reduced to the form shown in the tables of this report. Thus gross trading profits, the several expense items and proprietors' net earnings before income taxes and withdrawals appear as percentages of sales while stock turnover appears as a ratio indicating the number of times the average inventories were turned over during the year.

These ratios are therefore averages of the operating results which the different groups of unincorporated stores actually obtained. As such, these averages are at least indicators of rates of gross trading profits, of expenses and net earnings which similar stores may have experienced in the period under review.

Importance of Information on Operating Results in Retail Trade.

The critical value of information on operating results for use in computing the net earnings contributed by unincorporated retail stores to the highly important National Income estimates has already been pointed out. Indeed, the net earnings of individually operated stores add to really sizable contributions, being estimated at nearly $150,000,000 in 1941 and nearly $200,000,000 in 1944. Quite apart from its value in this respect, however, there are other economic and business uses which increase still further the practical importance of this type of information.

Many of these uses arise from economic changes brought about by transition from war to peacetime conditions. During the war years, retail trade experienced high levels of consumer demand, usually for relatively inadequate and in some lines for severely restricted supplies of merchandise. These conditions in turn tended to reduce the intensity of competition between stores in the same kind of business, as well as competition for the consumer's dollar between stores handling different kinds of goods. The resulting curtailment of price competition between retailers, the extension of price control which in general tended to stabilize buying and selling price relationships for retailers, and a diminished need for mark downs and sales allowances all exerted influence in the direction of maintaining or improving the percentages of realized gross trading profits. Apart from the furniture, radio and electrical, and automotive kinds of stores, the sales volumes of individual stores generally increased throughout the war period. These gains in turn tended to level off or to reduce expense percentages, the dollar amounts for some of which had been favourably affected by reduced credit losses and by curtailed expenses of operation.

Different conditions, however, can be expected to prevail in peacetime which, for purposes of discussion, can be broken down into two phases. During the earlier transition period industry will re-convert to peacetime activities and its subsequent production can be deemed to go far to meet consumers' pent-up demands, especially for many types of durable goods. Consumer purchasing power will likely remain relatively high due partly to wartime savings, partly to the high level of industrial activity, and partly, with crops permitting, to the substantial export and domestic demand for food products. An expansion in the numbers of retail stores in business may also be anticipated as war veterans, and individuals displaced from war production, establish their own businesses. During the early part of this phase, the supplies of many kinds of consumer goods may be inadequate to meet popular demands for them. As this period advances, however, consumer demands will settle down more to a replacement basis, expanded output will be able to build up normal stocks of merchandise at different levels in the manufacturing and distributive processes, and the functions of demand creation and sales promotion will become steadily more important.

The more normal peacetime period may therefore be marked by the greater necessity to promote and sell the products of an expanded industry. With freer price relationships between merchandise cost and selling prices then prevailing, greater pressures may be exerted on retailers' gross trading profit margins than before. This condition will probably result from a combination of influences including the increased quantities of readily available supplies, the desire of manufacturers and retailers to increase commodity and store sales through lower prices, and from making mark downs and sales allowances more extensively than in the war and transition periods. Lower individual store sales volumes for many kinds of retail trade on average may also be experienced from increases in the store population, the diffusion of consumer purchasing power over widened ranges of merchandise, including, for instance, automobiles and related products, electrical appliances, etc., and from more intense competition between different types and kinds of retail outlets. These lowered sales volumes will then tend to increase percentage rates of expense, many of which will be forced upward by greater dollar expenditures for advertising, for store renovation, and possibly for the provision of greater services to store customers.

Such tendencies toward reduced store sales volumes, to lowered gross trading profit and to increased operating expense percentages in the more normal peacetime period emphasize the need for progressive improvements in the management of independent stores if their continued existence and their proprietors' standards

of living are to be assured. These conditions thus impose upon retail merchants the necessity for using productive methods of sales promotion to maintain sales volumes, for informed buying and pricing practices to obtain adequate gross trading profits, and for careful control of operating expenses to secure adequate and reasonable net trading profits. They require in addition the periodic self-examination of the merchant's financial results so that weak spots in the store's operations can be revealed and remedied.

These periodic reviews of the store's operations are most revealing when individual merchants can measure their own financial results against certain outside standards or yardsticks of achievement. It is these standards or yardsticks of financial performance which this Bureau is now presenting in its reports on the actual operating results of sample groups of retail stores. With reports of this type, individual merchants can compare their rates of inventory turnover and their percentages of gross trading profits, operating expenses, and net trading profits with those obtained by similar kinds of stores. Guides of this nature enable retailers to determine whether their experiences are better or poorer than average, and where poorer, the factors producing the inferior results can be further analyzed for corrective action.

In addition to serving as aids to store management, information on operating costs is of considerable practical value to individuals planning the establishment of retail businesses. Reports of this type enable prospective retailers to find out what operating conditions are like in the trades they are considering, what net earnings they may reasonably expect from different sales volumes, and what standards they must achieve to obtain the net earnings they desire. The same reports also provide these individuals with knowledge of the average sizes of inventories carried, a factor of importance in estimating their capital requirements. Frequent requests are now received by the Bureau for information on sales and earnings possibilities in different trades and localities, on trade practices, capital requirements, etc. Provision of figures on operating costs thus widens the field of service the Bureau can provide, a service particularly timely when so many are appraising the opportunities for profitable establishment in business.

Over a period of years the expanding use of the Bureau's reports on operating results may produce benefits of importance to those engaged in retail trade. These benefits may well appear in the form of greater efficiency in store managements, increased flexibility to meet changing conditions in distribution, and greater stability in the business existence of retail stores through reductions in overall rates of business mortality. Improved management implies a greater knowledge of operating costs and the means of controlling them. It enables the value of services rendered to be measured against their costs, and by focussing attention on the critical gross trading profit percentage emphasizes the importance of careful buying to reduce mark downs, etc., and yet maintain satisfactory net earnings positions. Management of this sort, particularly in the smaller independent stores, also implies an awareness of trends and competitive conditions in retail trade, thus tending to promote the openmindedness and flexibility to meet new problems with new methods and cope with them.

The economy of the country also gains from the extension of these benefits throughout retail trade. Improved managerial efficiency may well mean the provision of higher standards of living to those engaged in retailing. Under the pressure of competition lower prices can be passed on to consumers without impairing the earnings of other groups of individuals or producers, thereby increasing indirectly the purchasing power available for other commodities and services. Finally, reductions in business mortalities represents lowered credit losses and the decreased

wastage of capital and effort invested by unsuccessful merchants in their retail businesses.

Methods of Making Survey and of Compiling Results.

As already indicated, the purpose of this survey of operating results was to obtain sufficient information from stores operated by individuals and partnerships to enable accurate overall estimates of their net earnings in 1941 and 1944 to be made for inclusion in National Income figures. This would have involved a coverage according to 1941 figures of some 124,000 stores -- far too many to permit a comprehensive survey of all stores.

It was therefore decided to obtain the results from a sample of these stores, some 17,000 being chosen for this purpose. These stores, although selected at random, were carefully distributed geographically to represent each province and each of the 28 important retail trades from which the information was needed. Not all firms were able readily to provide the required information while changes in business and other causes further reduced the sample. In addition, some of the reporting stores were able to supply figures for only 1944. In general, however, sufficient reports were received to enable overall net earnings' estimates to be made for both 1941 and 1944. Reductions in the size of the sample, however, prevented the preparation of tables showing 1941-1944 comparisons of operating results for some trades and in some cases also limited the extent to which average operating results could be broken down into sales size and "owned" and "rented" classifications.

Following completion of the editing process and the preparation of the National Income estimates, the schedules were re-processed for compilation of reports on operating results in the various kinds of retail business. In addition to the kind-of-business groupings, there were several ways in which the schedules could have been classified such as by size of business and method of occupancy, by provinces or regions by size of business, by size of locality by size of business, etc. Examination of the reports submitted for the different retail trades, however, indicated that in many instances the number of schedules was too small to enable many of these detailed classifications to be made. The reports were therefore grouped on a Canada-wide basis into size-of-business categories and within these by method of occupancy into "owned" and "rented" sub-divisions.

Statistical tables showing average operating results in 1944 for the various retail trades were then prepared. Here the results appear in five size-of-business groups for "owned" and for "rented" stores having 1944 sales volumes of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000, and sales of $50,000 and over. In some instances, however, the number of reports for "owned" or for "rented" stores was too small to justify the publication of figures for one of these types of occupancy.

Where possible tables were also prepared to present comparative and average figures on the results which identical groups of stores obtained in 1941 and 1944. Individual returns were therefore classified before tabulation into three size-of-business divisions and within these, between "owned" and "rented" establishments, according to the sales they made and the methods of occupancy they used in 1941, irrespective of their size of business or type of occupancy in 1944. Unfortunately, however, comparative statistics for both 1941 and 1944 cannot be published for some retail trades due to the limited numbers of reports giving information for both years. In other cases, comparative results for 1941 and 1944 are presented by size-of-business groups for only "owned" or "rented" stores, the sample in these instances being too small to permit statistics for one of these types of occupancy to be of much practical value.

A glance at the tables appearing in this report will reveal quickly the items for which statistics are given in the various size-of-business and occupancy columns. These are grouped into two sections, one designated as the "General Information" and the other as the "Profit and Loss Data" section.

The "General Information" section, as its name implies, consists of statistics useful as background material for interpreting the percentages shown in the following division of the tables. Nine individual items are here shown, consisting of figures on number of stores reporting, sales, inventories, cost of goods sold, and stock turnover in times per year. Apart from "Average Sales Per Store", "Average Inventory Per Store, End of Year", and "Stock Turnover (times per year)", the figures appearing in this section are the dollar totals of the amounts shown in the individual reports of the co-operating stores.

Items included in the "Profit and Loss Data" section consist of "Gross Trading Profit", "Employees' Salaries and Wages", "Rent", "Advertising", "Depreciation", "Other Operating Expenses", "Total Operating Expenses", "Proprietor's Net Earnings Before Income Taxes and Withdrawals", and "Average Proprietor's Net Earnings Per Store". Dollar figures for all of the above items with the exception of "Average Proprietor's Net Earnings Per Store" were of course compiled by sales-size and occupancy categories and were then expressed as percentages of the total sales reported by those groups of stores. In this way the percentages become averages for the several classes of unincorporated retail stores.

The explanations for the above terms are set forth later in this report under the sub-heading entitled "How The Retailer Can Use Information on Operating Costs". It can be noted here, however, that both the percentages and the dollar figures for proprietor's net earnings are weighted by the inclusion of two different elements. One of these comprises the proprietor's remuneration for managing the business -- an amount which would in fact have been charged as an expense against the store if the business had been incorporated or had been operated as a unit of a retail chain system -- while the second consists of the smaller and residual net profit element which compensates for capital invested and risked and for unusual merchandising abilities brought into play. Quite obviously the figures shown for net earnings considerably overstate the proprietor's 'net profits' because they also include the allowance for proprietor's managerial services. Questions were consequently included in the schedule to permit objective allowances to be made for these services but insufficient information was obtained to enable the two elements in proprietor's net returns to be separately presented. The final item on average net earnings per store is therefore shown in dollar figures in the tables, partly as an offset to the relatively high net earnings percentages revealed by the previous series and partly to enable the reader to make his own allowances for the two principal elements the net earnings figures contain.

Limitations to Information on Operating Results.

Many retailers may quite probably use the averages contained in the tables of this series of reports as information against which their own results can be compared and analyzed. Others may use the statistics in a broader way as indicators of distribution costs in the various retail trades. Both uses are of course quite proper but the information will serve these uses best when the limitations inherent in the figures are fully appreciated.

In the first instance it is important to note that the figures are based only on the results of unincorporated retail stores. The averages therefore do not reflect the results obtained by stores operating under the incorporated form of

organization. The absence of these stores probably bears most heavily upon the representativeness of the averages for stores in the higher sales volume brackets in which incorporated stores are most frequently found. Quite apart from differences in the qualities of management between these two types of establishments, however, the figures for average sales and average year-end inventories per store, stock turnover, gross trading profits and percentages for rent, advertising, depreciation and all other operating expenses will be readily useful to incorporated store managements. Employees' salaries and wages and proprietor's net earnings before income taxes and withdrawals, on the other hand, are not comparable without adjustments with similar percentage figures for individual incorporated stores because allowances for proprietors' managerial services have been excluded from the former and included in the latter item.

In the second place, the figures on operating results are based upon returns from relatively restricted numbers of stores in the different retail trades under study. These samples, chosen at random, are presumed to give representation to the several factors which influence operating results, including differences arising from size of business, methods of occupancy, from the sizes of locality and provinces in which the stores are situated, from degrees of service provided to customers, merchandising policies and variations in the quality of store managements. Size of business and method of occupancy rank high among these factors and the tables were therefore prepared to show operating result averages for different sales-size and occupancy groups of stores. Within these breakdowns of the overall sample the remaining factors naturally tend to 'average out' in the Canada-wide operating averages presented.

The proper 'averaging-out' of the above variations is naturally dependent upon a sufficient number of reports being included to permit this process automatically to take place. Examination of the tables, however, will indicate that the number of usable reports included in the various sales-size and occupancy categories is often quite small, frequently representing less than ten stores. In such cases the results should be compared carefully with the results shown for other sales-size brackets to appraise consistencies in trends between the different groups. Where the results appear definitely out of line with these trends, the figures should be interpreted with considerable care because it is quite possible that the averages for that bracket are not typical of the average results for all stores of that size.

The 'averaging-out' within the different sales-size brackets of the factors which affect retail operating results, however, imposes certain limitations upon the use of operating cost information by individual merchants. This is because retailers wish to compare their own results with those obtained by stores as similar to their own as possible. With the tables set up in the present manner, retailers are able in part to do this because they can match their own results against those of stores in their own sales-size and occupancy classes. On the other hand, these overall figures also reflect the combined and average influences of location by provinces and by size of locality, of degrees of service provided and of merchandising policies followed. Individual retail stores, however, experience not the 'average', but rather the full effects of such factors in their operating results. Thus the overall percentages may well be quite accurate in what they represent and yet differ considerably from the experiences of [illegible] individual stores. Unfortunately the isolation of such influences would require a considerably larger number of reports than were received from the recent survey of operating costs.

An additional point arises in connection with the way average expense percentages for employees' salaries and wages, advertising and depreciation were built up. Some reports for instance did not show dollar amounts for one or two of

these expense items. When no values were shown for the first two types of expenses, the practice was to accept the report on the assumption that the store required no paid help and in the case of advertising that no such expenditures were incurred. Where no amounts were shown for depreciation and no indication was given that any had been taken, the schedule was examined to see if the size of business justified further attention. If so, the firm was either corresponded with or an estimate was made for this item. In all cases, of course, the expense ratios represent the total dollar expense figures for each item in each individual classification expressed as percentages of the total sales reported by stores in that category. The expense percentages for these three items may therefore be slightly less than they would have been if only the sales of stores reporting full expense figures had been used.

How the Retailer Can Use Information on Operating Results

Mention has already been made of the conditions in retail trade which may prevail in the more normal peacetime period after the transition phase has been negotiated. This possible pattern of economic factors, it was suggested, may include a greater pressure of available supplies on retail and consumer markets, a relatively smaller unstimulated demand for those commodities, a greater competition in retailing associated quite probably with freer and often somewhat lower prices, and the possibilities of reduced percentages of gross trading profit, of lower individual store sales volumes for many kinds of independent stores, and of higher expense percentages. Such factors raise the question of how individual merchants can best utilize information on average operating results as a management tool in meeting their problems of transition and adjustment to changing economic conditions.

Use of operating cost averages in this way depends essentially upon comparing results of individual stores with those obtained by similar stores in the same kind of business. The retailers therefore should first determine from the tables the size of business and occupancy categories most similar to his own store. This may be done by comparing his own sales for the period with the sales-size brackets of the tables to determine his size category and by selecting the occupancy basis coinciding with that of his own business. He should next reduce his own financial items such as his stock turnover, his gross trading profits and his several expense categories to conform with those appearing in the tables and express these figures in ratio form -- for the most part as percentages of his own total net sales and receipts from services performed. He is then in a position to compare directly his own results with those which other more or less similar Canadian stores obtained in the same period.

"Number of Stores Reporting", the first item in the tables is also the first item to which the merchant should direct his attention. This figure, indicating the number of reports upon which the following percentages are based, is a good overall indicator of how typical those ratios may be of the entire class of stores they are presumed to represent. Such percentages, it will be recalled, become more accurate as overall measures of their class as the numbers of stores in the sample increases. Consequently the averages for particular categories where the number of reports is small should be compared with other brackets for consistency before those averages are applied against the results of the individual store.

"Average Sales Per Store" is a useful comparative figure because it gives the retailer an idea of the size of the 'average' store in each size-of-business bracket. With this information the merchant can identify the position of his store as either below, above, or at the sales-average point in his appropriate category. He can make the necessary allowances therefor when comparing figures for stock

turnover and percentages for the various operating expenses and net earnings with his own results.

"Total Inventory Reported" as a section within the tables contains four items of which the first two and the last will be of considerable interest. The first two show total inventories of merchandise for resale of all reporting stores at the beginning and end of the year under review. Individual merchants can thereby take note of the dollar change in such stocks between the two dates which for the sake of convenience may be reduced to percentage form. This variation can then be compared with changes in their own inventory levels to indicate how their own experiences conform with the trend for the group.

"Average Inventory Per Store, End of Year", the last of such inventory items reduces the total end-of-year stocks of reporting retailers to a per store basis and thereby indicates the average amount of capital per store that was invested in stocks at that date. Admittedly these figures have been influenced by wartime conditions which have affected the quantities on hand, the commodity composition of the stocks and the cost prices on which the inventory valuations rest. Moreover, the value of inventories on hand at the end of the year is often an inadequate measure of the stocks which were maintained throughout the period because the end-of-year stocks for many trades tend to reach a relatively low point at that time. In view of such limitations, comparisons based on these averages reveal at the most the extent to which the merchant's residual and immediate supply position conforms with others in his own sales-size bracket. Under normal supply-demand conditions, however, such figures would probably provide on average a better indication of the more basic and minimum inventories which reporting retailers of that size feel were required at that time.

"Stock Turnover (times per year)" is the number of times that reporting stores disposed of their average inventories of merchandise in the year. For purposes of this report, it has been calculated by dividing the average of the total beginning and ending inventories at cost values into the "Cost of Goods Sold". The latter item itself is a computed one, being determined by adding beginning merchandise inventories to purchases and deducting stocks of goods left on hand at the year-end. Merchandise purchases here consists of the invoice value of all goods bought for resale during the year, less returns, allowances and cash and trade discounts, but including duty, inward freight, and express and truckage charges. Obviously the individual merchant must calculate his own stock turnover in the same way before valid comparisons can be made with similar stores. So computed, both stock turnover figures probably overstate the actual number of times the average inventory was disposed of since the beginning and ending inventory figures each reflect year-end valuations when stocks are frequently at their lowest. This does not impair the value of conclusions based on comparisons because the turnover figures for the individual store and sample group of stores are similarly affected.

Having computed his stock turnover in the above manner, the retailer may find the figure for his store somewhat lower than the average for the comparable group of retail establishments. The immediate explanation for this variation of course is that the merchant seemingly used a larger average inventory to obtain his sales volume than the sample of similarly-sized stores used to obtain theirs. The merchant's larger average inventory, in turn, may result from one of three situations, namely, that his opening inventory was higher than the beginning per store inventory for the group, that his ending inventory was larger than the ending per store inventory for the group, or that both his beginning and ending inventories were larger than that of the sample group of stores.

The first of these, that the retailer's opening inventory was out of line

with the average for the group, may be determined by calculating the average per store beginning inventory for his class of store and then making a direct comparison. The merchant's larger beginning inventory may have been caused by the arrival of a comparatively large shipment of merchandise just before the year opened, or to other conditions applying more particularly to operations in the preceding year. The fact, however, that his end-of-year stocks were more closely in line with the average for his group not only indicates a liquidation of part of his inventories, but also suggests that the merchant enjoyed a higher rate of stock turnover during the latter part of the year than that of his class.

The second possibility, that his ending inventory exceeded the average for his group while his beginning stocks were more closely in line, could have been caused by several factors. Thus receipts of merchandise just before his financial year ended may have been sufficiently heavy to produce the comparatively larger inventory position. This would clearly reduce his calculated rate of stock turnover but it would not necessarily mean that his real turnover was lower than the average for his class. Another explanation is that the merchant experienced a lower volume of sales in the closing months of the year than he had expected, while his purchases of merchandise continued unchecked. Such a condition might be a matter of considerable concern, first because of the possibility of continued curtailments in sales and second, because the merchant would be facing a new financial year with a relatively heavy and perhaps unbalanced inventory position.

The third possibility, that the retailer's beginning and ending inventories were both higher than the average beginning and ending per store inventories for the group, from the merchant's viewpoint is probably most significant of all. Some retailers, of course, may end their fiscal years at times when due to seasonal factors their stocks are naturally quite high. In such instances an unreal comparison could result because most of the reporting stores terminated their accounting years at the end of December, January, or February when their stocks were comparatively low. In all other cases, however, such a state of affairs indicates quite definitely that the retailer is using a larger inventory to produce his sales than those used on the average by other stores in his class. For some stores, the size of the floor area or the use of mass displays of merchandise may require heavy but balanced stocks of goods; for others, the comparatively large inventories may result from the policy of purchasing in sizable quantities for quantity discounts, or for other reasons. Such inventories of course require the investment of additional capital in merchandise, but the retailers concerned may feel the risks to be justified in the light of the gains achieved. In other instances, however, the carrying of higher inventories may well suggest the presence in the inventory of unnecessarily large quantities of slow-moving goods which have accumulated over a considerable period. Here, the careful examination of the retailer's inventory position with a view to the clearance of the excessive stocks of particular items may be in order to minimize the possibilities of losses on eventual disposal, to make way for better stocks, and to release capital for more profitable investment in other ways.

"Gross Trading Profit", as has been pointed out earlier, is the difference between net sales of merchandise, including proprietor's withdrawals of goods and receipts from repairs and services, and the "Cost of Goods Sold". The latter item is calculated by adding beginning merchandise inventories to purchases and then subtracting the inventory of merchandise left over at the end of the period. Merchandise purchases, of course, represents the total invoice cost of the goods less returns, allowances and cash and trade discounts, but includes both duties levied on imported commodities and inward transportation charges. "Cost of Goods Sold" is therefore the cost value of the merchandise which was sold or otherwise disposed of while "Gross Trading Profit" is the gross income fund remaining from store receipts after the merchandise costs have been deducted.

The "Gross Trading Profit", then, arises directly out of the retailer's activities in buying, selling and managing his inventories of merchandise. As such, it can be considered in two ways, that is, the total amount of gross trading profits realized during the period and also the percentage rate at which they are made. To retailers, both aspects are important. The actual amount of such profits is significant because it is from this profit fund that the operating expenses must be deducted before the retailer can properly claim the net earnings which determine his standard of living. The percentage rate is of interest because it is a measure of his success in obtaining a satisfactory overall spread between merchandise costs and sales, and indicates what could reasonably be expected in the future from a given volume of sales.

In the tables, the gross trading profit is shown only as a percentage of sales, thereby setting forth average standards of performance for each of the size and occupancy classes of co-operating stores. These percentages therefore represent the overall maintained mark up on sales which, on average, was obtained by the reporting stores. Such ratios can also be expressed as percentages of cost of goods sold merely by expressing the gross profit percentage as a fraction of the remaining cost of goods sold percentage and multiplying by 100. For instance, if the gross profit forms 25 per cent of sales, the cost of goods sold would form 75 per cent of sales, and the maintained mark up on cost for the store then would be 25 per cent over 75 per cent times 100 per cent, or 33-1/3 per cent on the cost of goods sold.

To compare his own rate of gross trading profit with the average obtained by the reporting stores in his own group the retailer should be sure his gross profits have been calculated in the above manner and then expressed as a percentage of his total net sales including his receipts from repairs and other services rendered. Having done this, the retailer may find his own gross profit percentage, for instance, somewhat lower than the average for the reporting stores in his sales and occupancy group. He can then analyze his own trading activities to uncover by process of elimination the possible reasons for his seeming less-than-average performance.

One or more of a number of factors, together or singly, could depress the merchant's percentage of gross trading profits. On the selling side of the picture it is possible, for instance, that an unusually large proportion of the retailer's sales could have been concentrated in the lower-profit lines of merchandise; in other words, that he was not selling enough of the higher profit items to 'average-up' his gross trading profits. Competition may possibly have required the retailer to sell at relatively low selling prices and thus at relatively small original mark ups over cost values during the period under study. In some cases, merchants may have had satisfactory original mark ups but later on have marked down sharply the retail prices of various items for sales promotional purposes; in others, heavy mark downs may have been taken to clear excessive stocks of slow-moving goods, to sell merchandise depreciated by style changes or by the possible appearance of better goods to replace various types of wartime articles, or to dispose of perishable commodities before total losses were sustained.

Factors relating to purchasing for resale likewise could have had a downward influence on the gross profit percentage. Miscalculations in estimating the demand for certain lines of merchandise, for instance, could have been the original reason for some of the clearance mark downs just described. Difficulties in purchasing goods at cost prices sufficiently low to enable satisfactory original mark ups to competitive selling values to be obtained is another factor. This experience, of course, is at least partly common to other retailers in the same kind of business. Failure to take the full benefit of cash discounts also tends to reduce the gross trading profit percentage. Such discounts, although representing

a worth while addition to the income of the business, will usually not of themselves cause any considerable change in the gross profit percentage.

A number of other factors may also be influential in producing a lower-than-average rate of gross profit. An over-valued beginning inventory, for instance, will cause a larger figure to be shown for cost of goods sold and thereby will reduce gross trading profits. An ending inventory that is under-valued, or one which has been written down in value due to lower cost prices or to depreciation in the quality of the merchandise, will also lead to the same result. Stock shortages, too, will have a similar effect. Here the retailer should perhaps compare his gross profit percentage with those for previous years to see whether a sudden or more gradual drop has been experienced. Merchandise withdrawn by proprietors or by employees as part payment for services rendered, will likewise depress the gross profit percentage if such amounts have not been included in sales at full retail values. In cases where cash receipts are considered as sales the withdrawal of cash by the proprietor without including it in his total receipts, or the transacting of an unusually large proportion of business on a credit basis near the end of the financial year, again will reduce the gross trading profit and its percentage for the year under review.

"Employees' Salaries and Wages", exclusive of all types of cash withdrawals by the individual retailer, may appear higher when expressed as a percentage of his total sales than the average obtained by reporting stores in his own size and occupancy group. Such a situation could mean that the merchant's employees are not as productive of sales volume in proportion to their salaries and wages as those of similar stores. This might result from the fact that the retailer is paying them at higher rates of pay than other merchants in his class. Alternatively, the retailer could be using more full-time and fewer part-time workers than the comparable outlets, or is relying more on male employees than was true of the group of similar reporting stores.

The types of services provided by the retailer to his customers might also be an explanation. Some of these extended on a non-charge basis, such as free delivery, the provision of credit, the making of adjustments and alterations, etc., could have increased the routine work of the store sufficiently to require additional help. Certain other services performed on a charge basis, such as repairs, etc., could also increase staff requirements, even though profitable revenues were obtained.

Certain peculiarities in the retailer's business may also account for the higher-than-average percentage for salaries and wages. If the merchant is conducting a mixed business or, in other words, is operating another business besides his retail store, he may have allocated too high a proportion of his salaries and wages to his store. On the other hand, the proprietor may be giving more of his attention to the other activity, relying to a greater extent on paid help to operate his store.

In some instances the merchant's higher payroll percentage may reflect peculiarities of some of the stores included in the different sample groups of stores. Probably the most important of these is the likelihood that some of the reporting stores may have been relying in part at least on family members for store help. Some of these individuals may not receive any regular wages and others may be paid at less than going rates of pay for their services. The inclusion of these stores in the sample therefore would result in a somewhat lower salary and wage percentage than otherwise would have been shown. In general, however, these peculiarities to the extent that they do exist will probably be most pronounced in the smaller size-of-business groups of stores.

"Rent", when expressed as a percentage of the retailer's total sales may also appear higher than the average for comparable stores. Some allowance, though, should be made for such differences, particularly when merchants who are comparing their results are situated in the larger centers of population. This is because the reporting stores represent the various sizes of locality, including the larger cities in which dollar rents often tend to be somewhat higher than in the smaller places. In the tables, however, these higher rents are 'averaged down' by the lower rental experiences of stores in the smaller localities.

When due regard has been paid to this fact, it may be true that the merchant's rental percentage is still above the average for his group,- in other words that he is not obtaining as large a sales volume per dollar of rent expense as the comparable stores obtained. Several factors, of course, can account for his less-than-average performance. Among these is the possibility that especially severe competition or lack of aggressive promotion may be keeping the retailer's sales volume down; that he has been in business for a relatively short time and has not yet built up his sales volume to the potential his location offers; or that the merchant is situated in a city with particularly high commercial rentals. In other cases, the merchant may be renting more than the space required for his store and yet be charging the full rent to the store business. Here the comparison may not be as adverse as it seems when the proportionate amount of rent is charged against the store.

"Advertising", shown in the tables as average percentages of sales, is based on the sales of all stores in the several categories even though some stores may not have incurred any advertising expenses. This clearly would reduce the average advertising expense ratios below what would have been the average for the stores that advertised, and hence should be allowed for in making comparisons. As in other cases, a higher-than-average advertising expense ratio may be due to a number of possibilities requiring analysis by the merchant concerned. Thus he may have been trying to expand his sales volume through advertising and deliberately incurring high initial expenses for such publicity. Special clearance sales may have been held which required higher-than-average advertising expenditures, or perhaps he found it necessary to advertise heavily as a defensive measure against especially severe competition which may have featured his trading locality. There is also the further possibility that due to various reasons his advertising is not producing the extra business that it should.

"Depreciation", as percentages of total sales, measures the extent to which the owned fixed assets of the store -- including the value of new additions or replacements -- have decreased in value by wear and tear, by getting out of date, or simply by growing older This of course is a real expense of the business even though it does not immediately involve cash expenditures, for the business man should recover his capital either for investment in new assets or for other uses. The size of this expense obviously depends upon whether the store building is owned or rented, the original costs and types of the fixed assets which are owned, and the rate at which those assets are being written off.

Not all of the co-operating stores reported allowances for depreciation. In some instances, at least, this may have been due to the fact that the fixed assets had already been written off. Quite possibly, the wartime scarcities of equipment, materials and labour may often have prevented replacement or renovation of the fixed assets, thus depressing the depreciation expense percentages below what they would have been in normal times. In other instances where no depreciation was shown, a corrected figure was obtained for depreciation or alternatively an estimate was entered in the tabulations for this expense. In general where correspondence with reporting stores was undertaken the following rates were suggested

for consideration: on cost of building, a maximum of 5 per cent if of wood, and of 2-1/2 per cent if of brick or stone, on delivery equipment, 25 per cent of cost for the first year and 20 per cent thereafter; on fixtures, a maximum of 5 per cent; and on machinery, of 10 per cent per year.

In comparing his own depreciation expense percentage with those shown in the tables, the retailer should recognize that the averages are somewhat lower, frequently in the smaller size groups, than they would have been if only stores reporting depreciation allowances had been taken. If the merchant's depreciation ratio at all appears high it is very likely due to certain factors peculiar to his own business. Thus his fixed assets may be more elaborate; their original cost may have been greater; some of them may have been purchased more recently; or the rates of depreciation used may have been higher. In any event the element of depreciation is there, and the rate of allowing for it can only vary on a sound basis between fairly narrow limits.

"Other Operating Expenses", comprise all legitimate expenses still remaining and include heat, light and power, store supplies, taxes other than income taxes, business insurance, losses on bad debts, repairs and maintenance, interest on borrowed money, etc., but do not include proprietor's salaries or withdrawals. As such it is unfortunately too mixed an expense category to permit a detailed analysis of the reasons for the difference btween the individual retailer's expense ratio and that of his group. Furthermore the merchant must make an allowance for a reasonable difference between the two expense percentages because of the varying experiences of stores reporting their "all other operating expenses". If his own percentage is still somewhat higher than the average, however, the retailer may well check through his residual expenses to determine the reasons for them and to assess the possibilities of effecting certain reductions in the future.

"Total Operating Expenses", when expressed as a percentage of the store's total sales, is of course merely the sum of the individual expense percentages previously discussed. The difference between the individual merchant's total expense ratio and that of his group is consequently the net result of the variations he finds between his own individual expense items and the averages for his comparable group of stores. These differences could quite possibly cancel each other out to leave the retailer's total expense ratio closely approaching the average for the category against which it is compared. Clearly, however, this does not mean that no opportunities exist for a curtailment in total operating expenses by a careful examination of the individual expenses which were incurred.

"Proprietor's Net Earnings Before Income Taxes and Withdrawals" is obviously the final result and financial objective of the retailer's merchandising activities. In percentage form it is the measure of the merchant's success in keeping his gross trading profit and his total operating expenses sufficiently far apart to yield a positive percentage of net earnings which is, of course, exclusive of non-trading incomes such as return on investments, rentals received and so forth. If, then, the retailer's percentage of net earnings is less-than-average, it must be due to either one - or both - of two factors: i.e., a lower-than-average gross trading profit percentage, or a higher-than-average total operating expense ratio, the possible causes of which have already been commented upon.

"Average Proprietor's Net Earnings Per Store", as already explained, consists of the total reported net earnings divided by the number of co-operating stores. Expressed as a percentage of total net sales, this item will frequently appear large. This is because it contains two dissimilar and unmeasured elements, one being the remuneration usually thought of as the proprietor's real salary for

managing the business, the other consisting of the net trading profits which are in turn made up of a legitimate reward for exceptional merchandising abilities and a return on capital invested - and risked - in the enterprise. Allowances must therefore be made in the dollar figures shown in this item for the proprietor's managerial services before the real profitability of the individual store or the comparable group of stores can be appraised.

Discussion in this section, it will be noted, has dealt with three phases of the problem of "How The Retailer Can Use Information On Operating Results" in studying his stock turnover and his various profit and expense items. First has come an explanation of what each item is and how it is made up. Then it was assumed, for purposes of comparison only, that the retailer's results were inferior to the average for his comparable class of stores. This, in turn, was followed by a discussion of the possible operating factors which might have caused the poorer results. Many of these factors, however, would have resulted in average or better-than-average performances being obtained if their direction had been reversed. For this reason, therefore, no attempt was made to analyze the reasons for higher-than-average operating results.

Finally, it will be observed that no recommendations were made for the correction of adverse conditions. Frequently such conditions, such as particularly severe competition, are in fact hard realities which must be faced. Here, as in other cases, analysis based on facts and imagination must be relied upon to solve many of the individual problems of retail managements.

PART II - RESTAURANTS

Trends by Size of Business, 1944

The term "Restaurants" as used in this survey of operating results, embraces two somewhat different types of establishment. In the first instance it includes establishments generally recognized as restaurants, cafeterias or other eating places and specializing in this service. Results of the Census of Merchandising for 1941 show that in that year there were 4,457 such establishments in Canada with total receipts of $88,033,100. An analysis of these total receipts shows that, on average, they were comprised to the extent of 88.4 per cent of the sale of meals and lunches, 6.8 per cent of sales of cigars, cigarettes and tobacco, leaving only 4.8 per cent to represent receipts from other sources. Secondly the term "restaurant" includes establishments in which the sale of meals and lunches forms between 40 and 75 per cent of the total annual turnover, the remainder of the business being comprised of the sale of such items as bakery products, candy and confectionery, cigars, cigarettes and tobacco and perhaps magazines and papers. The census results for 1941 showed a total of 3,221 such establishments with annual receipts of $38,660,000.

This survey of operating results for the restaurant trade for 1944 is based on returns received from a sample of 266 establishments operated by individual proprietors or partners as distinguished from corporations. These 266 returns were sorted into ten groupings of stores, first into five sales sizes ranging from those having annual receipts of less than $10,000 to those reporting receipts of $50,000 and over, after which the classifications were broken down as between establishments in owned and in rented premises. The number of firms in the various categories ranged from a minimum of three for owned stores in the largest size to 67 for rented stores in the same category. In two groupings the number of establishments reporting was considered too small to warrant the publication of results. In three others the number of reporting firms was also comparatively small and the averages for these should be used with caution.

The larger restaurants had the higher rates of turnover

Average rate of stock turnover, as measured by a comparison of annual receipts reduced to a cost basis and the average of the two inventory figures as at the beginning and end of the year, were greater for the large than for small businesses. These ranged from a minimum of 17.5 times for owned establishments in the smallest size class to 32.4 times for rented establishments in the group having annual receipts of $50,000 or more. The high rate of stock turnover in comparison with that secured by other trades reflects, of course, the perishable nature of the commodities handled. The gain in the rate of turnover as the size of business increased conforms with the common experience for most retail trades. A factor to be considered in this connection is that the smaller restaurants do not generally restrict their activities to the sale of meals to the same extent as do the larger establishments. In other words, a greater proportion of their business is represented by the sale of candy, confectionery, tobacco and

tobacco products, items for which the turnover rate is less frequent than is the case of food products required in the preparation of meals.

Average inventory per store as on December 31, 1944, ranged from a low of $180 for rented establishments in the smallest size category to $1,783 for rented establishments in the largest size class. Comparative inventory figures for the beginning and end of the year showed an upward movement with increases for the smallest and largest sales sizes exceeding those for firms in the intermediate size classes.

Gross profit ratios varied between 27.4 and 36.7 per cent of receipts

Gross trading profits represent the difference between annual receipts and the total cost of the goods and supplies which were sold either in the same form as purchased or else were used in the preparation of meals. Expressed as percentages of total receipts, the gross trading profits were somewhat greater for the larger establishments. Overall, the seven ratios ranged between a low of 27.4 per cent for a group of 15 establishments in owned premises having annual receipts of between $10,000 and $20,000 and a high of 36.7 per cent for a group of 67 restaurants in rented premises having annual receipts of $50,000 or more. This upward trend in gross trading profit as size of business increases is principally a reflection of the difference in the commodity compositions of small and large establishments, the smaller ones deriving greater proportions of their annual revenues from selling products which carry lower initial mark ups from cost levels.

Payrolls percentages averaged higher for the larger restaurants

Turning now to an analysis of operating expenses, employees' salaries and wages as percentages of total receipts increased sharply as the size of business became greater, the seven averages ranging upward from 3.9 per cent for 13 owned restaurants in the smallest to 18.6 per cent for the group of 67 rented establishments in the largest size category. Salaries and wages as reported were to include the total compensation including not only cash payments but also payments in kind including meals consumed by employees. The salary and wage figures do not include any allowance for the managerial or clerical services of proprietors. The upward trend in the wage ratios from the smallest to the largest sizes of business is, therefore, simply the reflection of the decreasing share of the work which the proprietors performed, and therefore of the increasing proportion of the labour which was performed by paid employees.

Rental ratios declined as size of restaurants increased

Rentals paid by those firms occupying rented premises varied inversely with the size of business and ranged downward from 5.0 per cent of annual receipts for the smallest size grouping of establishments to 2.5 per cent of receipts for establishments in the largest size of business. This tendency is consistent with those found for other trades. It reflects the fixed nature of rental costs and the consequent decrease in rentals as a percentage of sales as annual turnover increases, provided, of course, that no comparable extension of plant facilities is required.

Advertising expenditures in relation to receipts were at a low level in 1944, ranging from 0.1 per cent of sales for each of the three smaller size categories of rented stores to 0.3 per cent for the group of larger firms having annual receipts of $50,000 or more. Results of a similar survey of advertising expenditures for 1938 show an average advertising expenditure of 0.5 per cent for a group of 181 restaurants. The much lower ratio in 1944 reflects the marked increase which has characterized the restaurant trade during recent years, most establishments operating at or near capacity levels and thus requiring little or no advertising in order to stimulate patronage.

Depreciation allowances averaged between 0.7 and 1.2 per cent of receipts

Depreciation allowances for rented premises ranged from 0.7 per cent for the group of 17 establishments each having annual receipts of less than $10,000 to 1.2 per cent for the 67 establishments in the $50,000 and over class. The percentages for owned establishments were naturally somewhat higher; they ranged from 1.6 per cent for the group of smaller businesses to 2.0 per cent for the larger firms.

All other operating expenses including such items as heat, light and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, supplies (other than merchandise and food products bought for resale), etc., were included under one heading. Such expenses, when expressed as percentages of net sales, varied within comparatively narrow limits, ranging from 6.1 per cent of sales for rented stores in the $10,000 to $20,000 class to 7.9 per cent for rented establishments with annual receipts of between $30,000 and $50,000. A more detailed analysis of this group of expenses made in connection with the 1938 survey indicates that with two exceptions the ratios of the individual expense items to receipts remained fairly constant for different sizes of business. Ratios for light, heat and power, however, varied inversely with the size of business. On the other hand the residual item of miscellaneous expenses not further analyzed tended to increase as the size of business increased, a result which may be attributed at least in part to the more comprehensive accounting systems maintained by the larger firms. Thus certain expense items assigned to this residual category by the larger operators may have been overlooked altogether or included in the cost of goods purchased by the smaller firms.

Total expense ratios for the larger restaurants were considerably higher

On summarizing the various expense items described in the preceding paragraphs, it is found that the seven total operating expense ratios varied from a low of 12.4 per cent of sales for owned restaurants having receipts of less than $10,000 to a high of 29.7 per cent for the 67 rented establishments with receipts in excess of $50,000 in 1944. The direct variation of the total expense ratios with increases in sales volume may be explained, of course, by the corresponding direct variation in salary and wage costs to which reference has been made and to the important element that such wage costs form of total operating expenses.

Net earnings percentages declined

Proprietor's net earnings before income taxes as recorded in the results of this survey may be thought of as consisting of two components.

One component consists of the proprietor's compensation for the managerial and other services which he performs in the business. The second component represents the net return which the proprietor naturally expects on the capital which he has invested in the business. So defined, the average ratios of proprietors' net earnings to total receipts were much higher for the smaller sizes of restaurants, the average for rented establishments dropping steadily from 16.6 per cent in the less than $10,000 to 7.0 per cent in the largest size of business. This downward trend, of course, resulted from the fact that the total expense ratios rose much more sharply from the smaller to the larger sales groupings than the percentages for gross trading profits did. An even smaller ratio of 4.1 per cent for a group of 8 establishments with receipts between $30,000 and $50,000, however, cannot be considered as representative of all establishments in this size category in view of the small size of the sample.

Although net earnings as a percentage of receipts declined as the size of business increased, the actual dollar figures for net earnings per store showed no such inverse variation. On the other hand, they increased progressively for successive sizes of business ranging from $861 for the group of 13 owned stores each having annual sales of less than $10,000 and averaging $5,702 per store to net earnings of $5,846 per store for the 67 rented establishments in the largest size class and having an average annual turnover of $83,473.

Operating Results of Continuing Stores in 1941 and 1944 Compared

Of the 266 restaurants which gave figures on operating results for 1944, there were 148 which also submitted figures for 1941. These were classified by size of business for Table 2. according to the sales they made in 1941 and thus entirely independent of their dollar volumes in 1944. In view of the more limited number of firms reporting for both years it was necessary to reduce the number of size categories for which figures are given from the five shown in Table 1 to the three which appear in the second table. In one of these - that of owned restaurants with 1941 receipts of $50,000 or over, only two reports were included and hence no averages were shown for this classification. Nevertheless the comparative averages for the remaining 146 establishments reporting for both years do provide some basis for measuring the trends in operating results over the three year period.

Sales increase averaged 46 per cent

Included in the 146 establishments reporting for both years were 57 restaurants each with annual receipts in 1941 of less than $20,000 whose total receipts averaged approximately 70 per cent higher in 1944 than in the earlier period. There were 61 establishments reporting receipts for 1941 varying between $20,000 and $50,000 and their dollar volumes were 38 per cent higher in 1944. The remaining 28 establishments reporting for both years had annual receipts in 1941 of $50,000 or over and these registered an average increase of 47 per cent in dollar volume of business during the three year interval under review. Combined receipts for the 146 establishments reporting for both years average 46 per cent higher in 1944 than in 1941. This compares with an increase of 54 per cent which a much larger sample of 550 restaurants giving their monthly sales figures to the Bureau experienced

between the two years. The marked increase in restaurant receipts is an outstanding feature of the retail trade of Canada during the war years. It reflects the general expansion in industrial activity and payroll, the increased employment of female workers, and to some extent, may be attributed to the introduction of rationing of some food products.

Gross profit ratios lower in 1944

Gross trading profits as percentages of sales declined between the two years. The ratio for rented establishments in the smallest size of business declined from 34.0 per cent to 30.8 per cent of total receipts while in the intermediate grouping with annual receipts between $20,000 and $50,000 it receded from 38.1 per cent in 1941 to 35.8 per cent in 1944. The decrease for the largest restaurants in rented premises, however, was considerably less, the ratio moving downward from 39.1 to 38.1 per cent of sales. Reductions in gross margin ratios between 1941 and 1944 were common for a number of individual retail trades and represent in the case of restaurants a narrowing of the spread between the amount of money taken in from the sale of meals or merchandise and the laid down cost of the merchandise, foodstuffs and other provisions required for the conduct of the business.

Total expense percentages lower in 1944

Reflecting the increase in personnel required to cope with the expanded volume of business, salary and wage costs moved upward at about the same rate as sales volume with the result that wage payments as a percentage of annual receipts were practically unchanged to slightly higher in 1944. Rental costs, on the other hand, declined appreciably when expressed as percentages of total sales. Depreciation allowances and the residual group of expenses also declined in relation to the volume of business transacted, with the result that the total expense ratios were generally considerably lower in 1944 than in the earlier period.

Increases or decreases in the average percentages net earnings formed of sales depended upon whether the declines in the operating expense ratios exceeded or fell short of the decreases in average gross margins. Net earnings for a group of 42 establishments in rented premises and having annual receipts of less than $20,000 increased from 9.2 per cent of sales in 1941 to 10.0 per cent in 1944. A similar tendency was exhibited by a group of 28 establishments in rented premises and having annual receipts of $50,000 or more. In this instance the net earnings gained from 5.4 per cent to 6.6 per cent of sales. On the other hand the net earnings ratio for the intermediate size group of establishments declined from 7.1 per cent in 1941 to 6.5 per cent in 1944. Overall, the net earnings percentages were lower in three and higher in two of the sales and occupancy groupings of restaurants in 1944.

Actual net earnings per restaurant higher in 1944

Net earnings per restaurant when expressed in dollar figures increased substantially for all categories for which separate figures were

compiled, the gain in dollar volume of business far more than offsetting any decline in the net earnings percentage ratio which may have occurred. Net earnings per establishment, expressed in round figures, increased from $1,100 to $2,100 for the group of small firms in rented premises which were included in the survey, from $2,300 to $3,000 for the intermediate group, and from $3,600 to $6,500 per establishment for the group of larger firms.

Table 1.--Restaurants - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	13	17	15	43
2. Total Sales	$74,122	$107,952	$236,943	$626,254
3. Average Sales Per Store	5,702	6,350	15,796	14,564
Total Inventory Reported,				
4. Beginning of Year	3,017	2,278	9,407	20,435
5. End of Year	3,119	3,065	9,510	21,378
6. Average for Year	3,068	2,671	9,459	20,906
Average Inventory Per Store,				
7. End of Year	240	180	634	497
8. Cost of Goods Sold	53,738	70,385	172,021	445,893
9. Stock Turnover (times per year) ..	17.5	26.4	18.2	21.3
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	27.5	34.8	27.4	28.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	3.9	5.9	8.6	8.2
12. Rent	-	5.0	-	3.2
13. Advertising	(a)	0.1	0.2	0.1
14. Depreciation	1.6	0.7	1.9	1.0
15. Other Operating Expenses	6.9	6.5	6.5	6.1
16. Total Operating Expenses	12.4	18.2	17.2	18.6
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	15.1	16.6	10.2	10.2
18. Average Proprietor's Net Earnings Per Store	$861	$1,054	$1,610	$1,491

(a) Less than .05 per cent.

Table 1.--Restaurants - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
SAMPLE TOO SMALL	39	8	56	SAMPLE TOO SMALL	67	1.
	$969,499	$306,728	$2,137,951		$5,592,706	2.
	24,859	38,341	38,178		83,473	3.
	26,753	8,783	41,687		99,387	4.
	28,530	11,110	45,423		119,462	5.
	27,641	9,947	43,555		109,424	6.
	732	1,389	811		1,783	7.
	677,680	217,777	1,385,392		3,540,183	8.
	24.5	21.9	31.8		32.4	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
	30.1	29.0	33.2		36.7	10.
SAMPLE TOO SMALL	10.8	15.4	15.7	SAMPLE TOO SMALL	18.6	11.
	2.6	-	2.8		2.5	12.
	0.1	(a)	0.2		0.3	13.
	1.0	2.0	1.2		1.2	14.
	6.3	7.5	7.9		7.1	15.
	20.8	24.9	27.8		29.7	16.
	9.3	4.1	7.4		7.0	17.
	$2,312	$1,577	$2,837		$5,846	18.

(a) Less than .05 per cent.

Table 2.--Restaurants - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	15	42	15	42
2. Total Sales	$130,107	$496,925	$176,909	$885,558
3. Average Sales Per Store	8,674	11,832	11,794	21,085
Total Inventory Reported,				
4. Beginning of Year	5,924	14,875	6,752	20,062
5. End of Year	8,488	14,926	6,779	20,534
6. Average for Year	7,206	14,901	6,766	20,298
Average Inventory Per Store,				
7. End of Year	566	355	452	489
8. Cost of Goods Sold	95,629	327,971	130,382	612,806
9. Stock Turnover (times per year) ..	13.3	22.0	19.3	30.2
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	26.5	34.0	26.3	30.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	6.1	11.2	7.7	10.5
12. Rent	-	4.4	-	2.9
13. Advertising	0.2	0.1	0.3	0.1
14. Depreciation	1.4	1.2	1.3	1.0
15. Other Operating Expenses	7.8	7.9	6.5	6.3
16. Total Operating Expenses	15.5	24.8	15.8	20.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	11.0	9.2	10.5	10.0
18. Average Proprietor's Net Earnings Per Store	$953	$1,091	$1,240	$2,110

Table 2.--Restaurants - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1 9 4 1		1 9 4 4		1 9 4 1		1 9 4 4		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
9	52	9	52		28		28	1.
$233,734	$1,712,595	$354,158	$2,414,657		$1,878,315		$2,758,032	2.
32,637	32,935	39,351	46,436	SAMPLE	67,083	SAMPLE	98,501	3.
30,359	39,230	11,178	55,691		39,887		52,370	4.
32,010	46,688	13,513	56,435	TOO	47,183	TOO	63,176	5.
31,185	42,959	12,346	56,063		43,535		57,773	6.
3,557	898	1,501	1,085	SMALL	1,685	SMALL	2,256	7.
188,283	1,060,096	255,036	1,550,210		1,143,894		1,707,222	8.
6.0	24.7	18.9	27.7		26.3		29.6	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
35.9	38.1	34.2	35.8		39.1		38.1	10.
16.9	16.6	17.4	16.9		19.6		20.2	11.
-	4.1	-	3.0	SAMPLE	3.3	SAMPLE	2.4	12.
0.2	0.2	(a)	0.2		0.6		0.4	13.
2.9	1.8	2.3	1.4	TOO	1.7	TOO	1.1	14.
10.4	8.3	9.1	7.8		8.5		7.4	15.
				SMALL		SMALL		
30.4	31.0	28.8	29.3		33.7		31.5	16.
5.5	7.1	5.4	6.5		5.4		6.6	17.
$1,782	$2,335	$2,113	$3,012		$3,597		$6,512	18.

PART III - DRUG STORES

Trends by Size of Business, 1944

This section of the report contains a summary of the operating results of a group of 258 drug stores which gave details regarding their business operations in 1944. It also presents comparative figures for 1941 and 1944 for a smaller group of 156 stores which furnish figures for both of these two periods.

Notwithstanding the wide range of commodities carried in drug stores, the sale of prescriptions, prepared medicines, drugs and drug sundries still form an important component of the retail drug trade. Results of the Census of Merchandising and Service Establishments for 1941 show that in that year there were 3,956 drug stores in Canada and these had total annual sales of $101,027,400. Almost exactly one-half of this figure represented the sale of the items mentioned above. Food products, including candy and confectionery, bottled beverages, soda fountain sales, lunches and ice cream came second in importance forming 13.6 per cent of the total annual turnover. Soaps and toilet articles and preparations formed 12.5 per cent; tobacco sales accounted for 12.0 per cent; stationery, books and magazines contributed 5.5 per cent while miscellaneous merchandise made up the remaining 6.3 per cent.

The 258 drug stores included in the survey had total annual sales of $9,495,983 and consist of retail drug outlets operated as individual proprietorships or partnerships as distinguished from corporations. Furthermore, the survey was restricted to independent stores; chain stores were not included. The 258 drug stores comprising this sample were first divided into five size-of-business classifications ranging from those with annual receipts of less than $10,000 to those with annual receipts of $50,000 and over. The stores in each size-of-business category were then subdivided as between those operated in owned and in rented premises to form ten sales and occupancy groupings for which averages are presented in Table 1. The numbers of stores in the various categories varied over a considerable range and were generally greater for establishments in rented than for those in owned premises. In the case of rented stores the numbers varied from a minimum of 6 for the smallest size category to a maximum of 73 for stores having annual sales of between $30,000 and $50,000. Figures for the small group of 6 stores are not shown in the tables but the numbers of stores in the other size categories for rented premises are considered sufficiently large to provide representative results. The numbers of stores operating in owned premises did not exceed 13 for any individual size bracket and ranged downwards to as low as 7 for the group of retail outlets having annual sales of $50,000 or over. The averages for these should, therefore, be used with caution. In view of the small numbers of owned stores included in the sample, most of the summary presented in the following paragraphs deals with the results for stores in rented premises.

Inventories were turned over faster by the larger drug stores

In common with most other kinds of retail businesses, the rate of stock turnover, computed by dividing the average of the beginning and ending

inventories for the year into annual receipts reduced to a cost basis, was greater for large than for small stores. The stock turnover rate for rented stores moved up steadily from 3.0 times for stores with annual sales of between $10,000 and $20,000 to 4.7 times for stores with annual sales of $50,000 or over. The rate for a group of 8 stores in owned premises and having annual sales of less than $10,000 was only 1.9 times. The increasing rate of stock turnover as the annual sales volume increases reflects the fact that there are certain minimum stock requirements which a store must carry in order to transact business at all. Beyond that minimum, an expanding volume of business can be handled partly by increasing the stock turnover rate without a commensurate increase in the actual value of inventories carried.

Average inventory per store at the end of 1944 amounted to $2,609 for the small group of owned stores in the smallest size category and ranged upwards to $12,699 for owned stores having annual sales of $50,000 or over. Inventories were valued somewhat higher at the end of 1944 than at the beginning of the same period, aggregate figures for all stores reporting and including both those in owned and in rented premises indicating an increase of 5.1 per cent. Percentage increases in the inventories of rented outlets were somewhat greater for small than for large stores, a result which may be explained by the steeper upward trend in sales for small than for larger stores which was evident during the war years.

Gross profit ratios averaged higher for the larger stores

Gross trading profit, or the difference between annual receipts and the purchase price of goods sold, varied over a considerable range for different stores depending upon the commodity composition of the business transacted. Stores with a high proportion of receipts from prescriptions or from the sale of meals or lunches would normally have a high gross margin ratio. Other stores where such receipts were of lesser importance would naturally sell higher proportions of candy, confectionery and tobacco products, etc., and these commodities carrying comparatively lower rates of initial mark-up would result in lower percentages of gross trading profits being realized. The lack of uniformity in the commodity composition of different stores was such as to hide any consistent trend in gross margin ratio for stores classified according to size of business. Nevertheless the general tendency was for the gross margin percentage to rise as the size of store increased. For a group of 47 stores with annual sales of $50,000 or over gross profits averaged 26.9 per cent in 1944, but were somewhat lower at from 24.1 per cent to 26.4 per cent for stores in the smaller size categories. For owned establishments the average ratios ranged from 23.1 per cent for stores with annual sales of between $20,000 and $30,000 to 28.5 per cent for stores in the largest size category.

Salary and wage ratios higher for larger drug stores

An analysis of the operating expenses reported by these stores shows that salaries and wages as a percentage of sales ranged in the case of rented stores from a minimum of 4.0 per cent for stores in the $10,000 to $20,000 size bracket to 8.5 per cent for stores having sales of $50,000 or more. The range for owned stores was from 1.6 per cent to 8.6 per cent.

Salary and wage figures as reported were to include the total compensation received by paid employees but they were not to include any allowance for the managerial or clerical services of proprietors. The upward trend in the ratio of wages to sales as the size of business increased reflected the decreasing relative importance of the value of proprietors' services in relation to the total labour cost, and hence the increasing proportion of that cost which represented payments to employees.

Rentals paid by stores occupying rented premises were constant at 2.7 per cent of sales for stores in the $10,000 to $20,000 and in the $20,000 to $30,000 sales brackets. For larger stores the ratio declined, amounting to 2.4 per cent for stores with annual sales of between $30,000 and $50,000 and to 2.2 per cent of sales for stores with annual sales of $50,000 or over. The downward tendency in the rentals ratios as the size of business increases reflects the fixed nature of rental costs and is consistent with the results found for other trades.

Largest stores had highest advertising expense ratios

Excepting only the largest size group of stores, advertising expenditures remained uniform at 0.4 per cent of sales in the three other size categories of rented stores for which figures are shown in the tables. For similar stores with annual sales of $50,000 or more, however, publicity costs amounted to 0.7 per cent of the dollar volume. The ratios for stores in owned premises increased consistently with the size of business and ranged from 0.1 per cent for stores with annual sales of less than $10,000 to 0.8 per cent for stores in the largest size of business.

Depreciation allowances on equipment and fixtures reported by stores in rented premises and expressed as percentages of annual sales varied inversely with amount of sales made. Such allowances ranged from 0.8 per cent of sales for stores having annual sales of from $10,000 to $20,000 to 0.4 per cent for stores with annual sales of $50,000 or more. The inverse relationship between the depreciation ratio and the size of business is a reflection of the higher investment in store furniture and equipment in relation to sales in the smaller stores. The depreciation allowances for owned stores were naturally somewhat higher than those for stores in rented premises.

All other operating expenses including such items as heat, light and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, supplies (other than merchandise bought for resale), etc., were included under one heading. Reflecting the impact of the more fixed cost elements in this group, the ratios for rented store expenses varied inversely with the size of business, ranging downward from 4.9 per cent of sales for outlets with annual sales of between $10,000 and $20,000 to 3.6 per cent for establishments in the largest size of business. Due probably to higher content of other occupancy costs, the averages for drug stores in owned premises tended to be somewhat higher than those which the rented stores experienced.

Total expense ratios of bigger stores averaged higher

On summarizing the various expense items for which figures are compiled, total expenses for rented stores ranged upward from 12.8 per cent of sales for stores doing an annual business of $10,000 to $20,000 to 15.4 per cent for rented stores with annual sales of $50,000 or more. Total operating expenses for owned stores revealed a similar rising trend, a tendency which may be explained by the corresponding direct variation in salary and wage costs which form an important element in the total operating expenses.

Proprietor's net earnings before income taxes may be thought of as consisting of two components. One component consists of the proprietor's compensation for the managerial and other services which he performs in the business. The second component represents the return which a proprietor naturally expects on the capital which he has invested in the business. Including both of these, proprietor's net earnings as percentages of annual receipts varied between 10.5 and 12.5 per cent of sales for four size-of-business categories of rented stores for which figures are shown in the tables, the ratios for the smaller stores being slightly higher than those for the larger establishments.

Actual dollar figures for net earnings per store were naturally higher for large than for small establishments. Net earnings for businesses in rented premises ranged from $2,004 per store for stores with annual sales of from $10,000 to $20,000 to $8,234 per store for firms having an annual turnover of $50,000 or more in the year under review.

Operating Results of Continuing Stores in 1941 and 1944 Compared

The 258 drug stores which reported figures on their operating results for 1944 included 156 stores which also gave corresponding information for 1941. These were classified by size of business for Table 2 according to the sales they made in 1941 and thus entirely independent of their dollar volumes in 1944. In view of the more limited number of firms reporting for the earlier period it was necessary to reduce the number of size categories for which figures are given from the five shown in Table 1 to the three which appear in the second table. In one of these - that of owned drug stores with 1941 sales of $50,000 or over - only three reports were included and hence no averages were shown for this classification. Nevertheless the comparative averages for the remaining 153 drug stores reporting for both years do provide some basis for measuring the trends in operating results over the three-year period.

Included in the 153 stores giving figures for both years were 40 establishments in rented premises having dollar volumes in 1941 of less than $20,000. The sales for these outlets were 62 per cent higher in 1944 than in the earlier period. The corresponding increases for 63 rented stores with 1941 sales running between $20,000 and $50,000 was

35 per cent while a gain of 41 per cent was registered by the 18 stores in the largest size of business. The samples for establishments in owned premises were considerably smaller, but the 21 outlets in the smallest size of business experienced an expansion of about 60 per cent and the 11 units in the $20,000 to $50,000 size an increase of 29 per cent. In total, the sales of all 121 rented drug stores averaged about 41 per cent higher and the 153 owned and rented ones also gained by the same percentage. These compare reasonably well with the increase of about 37 per cent recorded by the Bureau's monthly indexes of retail sales during the same period which is based on a much larger sample of continuing drug stores.

Gross profit ratios averaged lower in 1944

Gross trading profits as percentages of sales were lower in 1944 than in 1941 for all five of the size and occupancy classes for which separate figures are shown in the tables. In the case of rented stores, gross trading profit declined from 29.0 per cent to 26.4 per cent for the group of 40 stores having annual sales in 1941 of less than $20,000; from 26.9 per cent to 25.5 per cent for the intermediate size class, and from 29.1 per cent to 28.1 per cent for the larger stores with 1941 sales of $50,000 or over. These reductions in gross trading profit between 1941 and 1944 were common to many retail trades and represent a narrowing of the spread between the laid down cost and the selling price of the merchandise sold.

Lower operating expenses as percentages of sales were general for both rented and owned stores and for all size classes for each of the five expense items for which figures are shown. Quoting only the figures for the 63 rented stores with annual sales of from $20,000 to $50,000 the salary and wage cost declined from 8.3 per cent to 7.0 per cent of sales; rentals from 3.2 per cent to 2.5 per cent; advertising expenditures from 0.5 to 0.4; depreciation from 0.7 to 0.5, while other operating expenses fell off from 4.2 per cent to 3.7 per cent. Total expenses for this class were reduced from 16.9 per cent to 14.1 per cent.

Net earnings percentages higher in 1944

As a consequence of the more pronounced decrease in operating expenses than in gross margins, net earnings as percentages of sales moved upward between 1941 and 1944. Increases in net earnings were general for both owned and rented stores and for all three size-of-business classes. In the case of rented stores having sales of less than $20,000 net earnings increased from 11.2 per cent of sales to 13.2 per cent, from 10.0 to 11.4 for rented stores in the intermediate grouping, and from 9.3 to 12.1 per cent of sales for such stores in the largest size of business.

The higher net earnings ratio, when taken together with the substantial increase in dollar volume of business, combined to effect a marked increase in net earnings when expressed in dollar figures.

Net earnings per store in rented premises increased from $1,466 to $2,814 for stores with annual sales of less than $20,000 in 1941; they increased from $3,217 to $4,921 per store for the intermediate size category and from $5,779 to $10,536 for the group of 18 larger stores each having sales of $50,000 or more in the earlier year. Increases of a similar magnitude were also recorded for stores in owned premises.

Table 1.--Drug Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944.

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	8		11	38
2. Total Sales	$50,637		$152,244	$606,954
3. Average Sales Per Store	6,330		13,840	15,972
Total Inventory Reported,		SAMPLE		
4. Beginning of Year	19,704		32,234	147,849
5. End of Year	20,875	TOO	34,536	157,056
6. Average for Year	20,290		33,385	152,453
Average Inventory Per Store,		SMALL		
7. End of Year	2,609		3,140	4,133
8. Cost of Goods Sold	38,332		114,792	453,395
9. Stock Turnover (times per year) ..	1.9		3.4	3.0
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	24.3		24.6	25.3
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.9		1.6	4.0
12. Rent	-	SAMPLE	-	2.7
13. Advertising	0.1		0.2	0.4
14. Depreciation	1.5	TOO	0.6	0.8
15. Other Operating Expenses	6.9		4.7	4.9
		SMALL		
16. Total Operating Expenses	10.4		7.1	12.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	13.9		17.5	12.5
18. Average Proprietor's Net Earnings Per Store	$7,028		$26,609	$76,161

Table 1.--Drug Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
13	42	13	73	7	47	1.
$319,[illegible]	$1,056,450	$479,631	$2,892,971	$534,298	$3,367,318	2.
24,570	25,154	36,895	39,630	76,328	71,645	3.
63,292	207,773	89,883	495,646	88,142	514,748	4.
68,229	215,626	101,188	518,351	88,896	539,209	5.
65,761	211,699	95,536	506,998	88,519	526,979	6.
5,248	5,134	7,784	7,101	12,699	11,473	7.
245,623	777,547	343,895	2,195,765	382,023	2,461,509	8.
3.7	3.7	3.6	4.3	4.3	4.7	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
23.1	26.4	28.3	24.1	28.5	26.9	10.
4.6	6.1	6.5	6.4	8.6	8.5	11.
-	2.7	-	2.4	-	2.2	12.
0.3	0.4	0.7	0.4	0.8	0.7	13.
0.8	0.7	0.8	0.6	1.1	0.4	14.
4.9	4.0	4.7	3.8	5.6	3.6	15.
10.6	13.9	12.7	13.6	16.1	15.4	16.
12.5	12.5	15.6	10.5	12.4	11.5	17.
$39,838	$132,750	$74,829	$30,179	$65,885	$386,993	18.

Table 2.--Drug Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1 9 4 1		1 9 4 4	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	21	40	21	40
2. Total Sales	$232,107	$524,167	$370,493	$850,375
3. Average Sales Per Store	11,053	13,104	17,643	21,259
Total Inventory Reported,				
4. Beginning of Year	69,172	166,110	82,876	177,576
5. End of Year	73,960	171,766	92,265	187,036
6. Average for Year	71,566	168,938	87,571	182,306
Average Inventory Per Store,				
7. End of Year	3,522	4,294	4,393	4,676
8. Cost of Goods Sold	174,777	372,159	279,722	625,876
9. Stock Turnover (times per year) ..	2.4	2.2	3.2	3.4
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	24.7	29.0	24.5	26.4
Operating Expenses:				
11. Employees' Salaries and Wages ..	5.5	6.1	4.2	5.3
12. Rent	-	4.6	-	2.7
13. Advertising	.2	.7	.3	.6
14. Depreciation	.8	.7	.6	.6
15. Other Operating Expenses	5.2	5.7	4.9	4.0
16. Total Operating Expenses	11.7	17.8	10.0	13.2
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	13.0	11.2	14.5	13.2
18. Average Proprietor's Net Earnings Per Store	$1,440	$1,466	$2,562	$2,814

Table 2.--Drug Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
11	63	11	63		18		18	1.
$291,172	$2,021,745	$376,295	$2,729,508		$1,118,764		$1,571,681	2.
26,470	32,091	34,209	43,326		62,154		87,316	3.
69,757	411,539	72,134	459,145		241,855		268,749	4.
72,139	455,178	72,684	479,143	SAMPLE TOO SMALL	250,787	SAMPLE TOO SMALL	280,821	5.
70,948	433,359	72,409	469,144		246,321		274,785	6.
6,558	7,225	6,608	7,605		13,933		15,601	7.
211,391	1,477,896	278,835	2,033,483		793,204		1,130,039	8.
3.0	3.4	3.9	4.3		3.2		4.1	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
27.4	26.9	25.9	25.5		29.1		28.1	10.
7.6	8.3	6.1	7.0		10.1		8.7	11.
-	3.2	-	2.5		3.1		2.4	12.
.8	.5	.8	.4		1.0		.9	13.
1.1	.7	.9	.5	SAMPLE TOO SMALL	.6	SAMPLE TOO SMALL	.3	14.
5.7	4.2	4.8	3.7		5.0		3.7	15.
15.2	16.9	12.6	14.1		19.8		16.0	16.
12.2	10.0	13.3	11.4		9.3		12.1	17.
$3,236	$3,217	$4,547	$4,921		$5,779		$10,536	18.

PART IV - JEWELLERY STORES

Trends by Size of Business, 1944

Jewellery stores are engaged chiefly in the sale of jewellery, silverware, clocks and watches. They also carry such additional lines as optical goods, leather goods, chinaware, gifts and novelties. Receipts from repair work may, and usually does, constitute an important source of revenue.

These stores are nevertheless specialized to a high degree in handling clocks, watches, silverware, and jewellery. Indeed the foregoing items comprised 73.5 per cent of the total trade of jewellery stores analyzing their sales by classes of commodities in the 1941 Census of Merchandising. This total in turn was made up of clocks at 2.2 and watches at 16.6 per cent of total sales, of plated and sterling silverware at 9.9 and 5.7 per cent, and of all other jewellery at 39.1 per cent of total sales. China, glassware and crockery formed 7.2 per cent, luggage and leather goods 4.0 per cent, optical goods, 2.4 per cent, toilet articles and preparations 0.3 per cent and miscellaneous merchandise 6.8 per cent of total sales. Receipts from repairs and services also made a significant contribution which amounted to an average figure of 5.8 per cent of the total trade in 1941.

A total of 137 usable schedules giving figures on their results for 1944 were received from unincorporated jewellery stores co-operating in the recent survey. These were sorted into five sizes of business for stores with sales ranging from less than $10,000 to those having annual volumes of $50,000 and over in the year under review. The groupings were then separated as between stores in owned and in rented premises to produce ten sales and occupancy categories for which figures were compiled. In each of the four larger sizes of owned stores, however, the reports numbered less than 6 and no figures were presented for them in Table 1. Overall, a total of 123 reports were used in the compilations, 117 of which were distributed fairly evenly over the five sizes of rented stores while the 6 remaining represented owned establishments with sales of less than $10,000. The first section of this summary, therefore, deals almost entirely with the experiences of the five groupings of rented stores.

Stock turnover averaged between 1.4 and 2.5 times

Turning now to the statistics presented in Table 1, it will be noted that inventory turnover ranged between a low of 1.4 and a high of 2.5 times in 1944. These averages moreover were higher for the larger sizes of jewellery stores, the ratios moving up from the low of 1.4 times in the smallest to 2.5 times in each of the two largest sizes of business. The upward movement resulted naturally from the fact that even the smallest jewellery stores required a comparatively balanced line of goods for effective retailing. Once established, the inventories with only moderate expansions were able to support relatively larger gains in sales volumes. The rates of inventory turnover of the reporting jewellery stores, moreover, were among the lowest experienced by the different kinds of stores in the year under review. This ranking, of course, reflects the combined influences of several distinguishing factors upon the inventory positions and sales possibilities of jewellery stores, among which can be noted the low level of repeat consumer demand, the comparatively high unit values of the items handled and the relatively wide ranges of merchandise the stores must carry to enable their stocks to meet the varying preferences of their customers.

These factors are clearly apparent in the rather heavy investments of capital in merchandise inventories. Even the rented jewellery stores with sales of less than $10,000 had an average inventory of $2,732 per store at the end of 1944. For the larger sizes of business the average ending inventories were much higher, amounting to $5,484 per store in the $10,000 to $20,000 store size and to $8,174, $9,226 and $22,247 per store in the $20,000 to $30,000, the $30,000 to $50,000 and the $50,000 and over sales groupings.

Changes in stock positions between the beginning and end of 1944 may be appraised from the total inventories shown at those times in Table 1. Only in the smallest size of rented stores was an increase experienced and this amounted in fact to about 12 per cent over beginning figures. Inventories were almost maintained by stores with sales running between $20,000 to $30,000 but in the $10,000 to $20,000, the $30,000 to $50,000 and the $50,000 and over store sizes declines were recorded which averaged about 3, 7 and 9 per cent, respectively. The impact to wartime scarcities and the inability to secure satisfactory substitute lines apparently was most keenly felt by the two largest sizes of jewellery outlets, for the contractions in their inventories were greater than those of the intermediate sizes of establishments. In summary, the total ending inventories of all reporting stores decreased by 6 per cent from their opening valuations.

Gross profit ratios averaged between 37.6 and 46.8 per cent

Average rates of gross trading profits for the five sizes of rented stores varied between 37.6 and 46.8 per cent of sales in 1944. By size of business, the smallest and the largest stores recorded the highest ratios which amounted respectively to 46.8 and 42.8 per cent of annual dollar volumes. The high ratio for the smallest outlets probably resulted in part at least from the fact that many of these establishments derived a considerable proportion of their total sales in the form of receipts from repairs and services which, consisting mainly of payroll expenses, had no counterpart in cost of goods sold. Such receipts, however, were probably somewhat less important for the larger stores concentrating to a greater extent on the retail aspects of their business, and hence gross profits in the three intermediate sizes of business averaged out at the lower figures of 39.2, 39.2 and 37.6 per cent of sales. The secondary high of 42.8 per cent recorded by the largest jewellery stores, of course, could have been caused by the presence of some outlets obtaining rather high proportions of their annual sales from service receipts. It is more likely, however, that these establishments whose sales averaged slightly over $100,000 per store were handling larger proportions of the more specialty types of merchandise which presumably carried somewhat higher mark ups than the more staple items which the smaller establishments handled.

Payroll percentages higher for the larger stores

Turning now to the operating expense ratios, the five averages for employees' salaries and wages ranged between 3.9 and 12.3 per cent of sales in 1944. By size of business the bigger jewellery outlets had the higher payroll ratios, the averages rising from 3.9 per cent in the smallest to 6.3, 8.9, 8.4 and 12.3 per cent of sales in the four progressively larger sizes of stores. This trend was probably due principally to the decreasing share of the work which the proprietors of the larger stores performed. In some degree, too, it may have reflected the fact that certain additional help was required by the bigger stores to handle the greater administrative and other indirect activities involved in their operation.

Rent, unlike salaries and wages, is a fixed dollar expense once the

lease has been negotiated. This presents the retailer with the opportunity to reduce its weight by spreading the costs over larger volumes of sales. Such a process in a sense is illustrated in the rentals percentages for jewellery stores which declines from an average of 4.9 per cent of sales for stores with dollar volumes of less than $10,000 to 4.2, 3.4, 2.7 and 2.8 per cent in the respectively larger sizes of establishments.

Advertising expenses for the five groupings of rented stores varied between a low of 0.5 and a high of 1.7 per cent of sales in 1944. By size of business, however, the trend was quite irregular. This is indicated by the fact that the ratio rose from 0.5 per cent in the less than $10,000 sales size to 1.1 per cent in the $10,000 to $20,000 grouping from which it receded to 0.9 and 0.8 per cent in the $20,000 to $30,000 and the $30,000 to $50,000 store sizes to jump finally to 1.7 per cent of sales for stores with dollar volumes of $50,000 or more. These irregularities, however, would have averaged themselves out into progressively higher ratios for the larger sizes of business if the stores had been classified into three groupings of establishments with sales of less than $20,000, between $20,000 and $50,000 and for outlets with sales of $50,000 or over.

<u>Depreciation and other expense ratios lower for larger stores</u>

Depreciation allowances as percentages of sales with but one exception decreased as the stores became larger. Thus beginning with a ratio of 0.9 per cent in the smallest size of business the average moved upward to 1.2 per cent in the $10,000 to $20,000 sales grouping from which it receded to 0.7, 0.6 and 0.5 per cent of sales in the three larger sizes of stores. This declining tendency resulted from the fact that the smaller stores required certain minimum equipment for efficient retailing and that their requirements for such did not expand directly with increases in their sales volumes.

Other operating expenses include such costs as supplies, communications, taxes other than income taxes, insurance, light, heat and power, repairs, bad debt losses, interest on borrowed money and sundry expenses. Some of these were commonly experienced and hence were probably included quite uniformly in the figures reported, while others may not have been so generally encountered nor so consistently included in the dollar totals for other operating expenses. Nevertheless, the percentages for these costs were consistently lower for the larger rented jewellery stores in 1944, the averages dropping steadily from 9.0 per cent of sales in the smallest to 5.0 per cent in the largest size of business. This is probably a reflection of the presence in other operating expenses of sizable amounts of fixed costs which in percentage form become smaller as sales expand.

Summarizing the trends in the expense categories just described, total operating expenses for the five classes of rented stores varied from a low of 19.2 to a high of 22.3 per cent of sales in 1944. By size of business the larger jewellery stores generally had the higher total expense ratios, their higher payroll percentages being more than sufficient to offset the lower ratios they recorded for rentals, depreciation, and other operating expenses. The lowest average for total expenses of 19.2 per cent occurred in the grouping of rented stores having sales of less than $10,000 in the year under review. From this point the ratio rose to 20.6 and 21.5 per cent in the two immediately larger store sizes, dropped against the trend to 19.4 per cent in the $30,000 to $50,000 sales size and finally rose to 22.3 per cent for jewellery stores with sales of $50,000 or over.

Average net earnings averaged between 17.7 and 27.6 per cent

Proprietor's net earnings before income taxes and withdrawals can be considered to include two components, one representing a reward for his personal services, the other a net profit return on the capital he had invested in the business. Expressed in ratio form, the total net returns for the five sizes of rented stores averaged between 27.6 and 17.7 per cent of sales in 1944. By size of business, the ratios declined from the high of 27.6 per cent in the less than $10,000 to 18.6 and 17.7 per cent in the two immediately larger sizes of stores. From that point moderate increases took place with the averages rising to 18.2 and 20.5 per cent in the two largest sales groupings. These changes, of course, represent the net results of variations in the gross profit and total expense percentages which have been discussed previously.

In terms of dollar figures, however, average proprietor's net earnings per store recorded consistent increases from the smallest to the largest sizes of business. The progression started at an average of $1,813 per store in the less than $10,000 sales grouping and moved sharply upward to averages of $2,697, $4,369, $7,078 and $20,571 per outlet for the larger sizes of stores. A particularly sharp expansion, it will be noted, occurred between the $30,000 to $50,000 and the $50,000 and over classifications. This was due partly to the rise in the rate of net earnings but more importantly to the major expansion in the sizes of stores being compared, the average sales for these two groupings amounting to $38,874 and $100,049 per outlet in 1944.

Operating Results of Continuing Stores in 1941 and 1944 Compared

Out of the 137 usable schedules giving operating results for 1944 there were only 101 which also submitted figures for 1941. These were classified by size of business for Table 2 exclusively by the sales they reported for 1941 and thus entirely independent of their dollar volumes in 1944. Because of the limited number of reports available for both years it was necessary to reduce the number of sales-size categories from the five in Table 1 to the three enlarged ones for Table 2. In one of these - that of owned stores with 1941 sales of $50,000 and over - only two reports were included and therefore no averages have been presented. Only 6 and 7 schedules appeared in the other two sizes of owned establishments and these statistics should be used with caution. The samples, however, are somewhat larger for the three groupings of rented stores and the trends in the operating results of these outlets will be discussed in the following paragraphs.

Sales increased 31 per cent over 1941

A glance at the sales totals shown for rented stores indicates that the reporting stores experienced substantial gains in sales during the wartime period. These increases amounted in fact to 46 per cent over 1941 levels for rented stores with sales of less than $20,000, to 26 per cent for the intermediate group and to 32 per cent for jewellery outlets having dollar volumes of $50,000 or more in 1941. Overall the expansion in business in the three sizes of business amounted to about 31 per cent.

In the light of these gains in dollar volume, it is not surprising to find the rates of stock turnover averaging somewhat higher in 1944. In 1941,

the average rates of stock turnover for the three sizes of rented stores amounted to 1.5, 1.7 and 2.0 times against corresponding ratios of 1.9, 2.2 and 2.6 times in the later year. This upward shift for the two larger sizes of stores was also caused by declines in inventories, total stocks at the end of 1944 in the $20,000 to $50,000 sales size dropping by 13 per cent and in the $50,000 and over grouping by 16 per cent from the valuations reported at the close of 1941. In the smallest size of business an increase of about 18 per cent was recorded but this was not sufficient to offset the other decreases and total inventories for all rented stores were lower by 11 per cent at the end of the later period. In summary, the three average inventory figures stood at $4,092, $11,831, and $28,177 per store at the end of 1941 and at $4,810, $10,251, and $23,791 per store at the close of 1944.

Gross profit ratios somewhat higher in 1944

Average rates of gross profits recorded by the rented jewellery establishments increased somewhat in the period under review. During 1941 the ratios for the three sizes of business amounted to 41.6, 39.0 and 39.0 per cent of total sales which compare with averages of 42.8, 39.3 and 42.5 per cent of the dollar volumes in 1944. These gains may have resulted in part from shifts in consumer buying to various items of merchandise carrying higher mark ups. A more important reason, probably, lies in the fact that stimulated by various wartime conditions receipts from repairs and services formed higher percentages of the sales of the reporting jewellery stores in 1944 than in 1941.

Total expense percentages were lower in 1944

Reflecting reductions in most of the ratios for the five classifications of operating expenses, the three percentages for total expenses were lower in 1944 than in 1941. During the earlier year, the averages for rented stores formed 23.2, 22.8 and 25.8 per cent of total sales against corresponding ratios of 20.8, 21.1 and 21.9 per cent in the later period.

Among the individual expense categories, employees' salaries and wages in ratio form remained practically unchanged between the two years, amounting to 7.3, 9.5 and 12.8 per cent of sales in 1941 and to 7.2, 9.8 and 12.1 per cent of sales in the corresponding size groupings of rented outlets in 1944. This stability, of course, means that the considerable expansions in sales were reflected in almost similar gains in dollar payroll costs, a situation which in turn suggests that some additions had been made to store staffs during the wartime period.

Rental costs, on the other hand, are fixed dollar expenses and formed lower percentages of sales in the later period. In response to increases in dollar volumes, these averages declined from 6.0, 4.0 and 3.2 per cent in 1941 to 4.1, 3.3 and 2.5 per cent in 1944.

Dollar allowances for depreciation, however, are somewhat less fixed in nature. Thus, while the original value of the fixed store assets may remain comparatively unchanged, the depreciation allowances rest upon estimates for wear and tear, obsolescence, etc., which may vary between stores and also from one time to another. Nevertheless, the depreciation allowances were all slightly lower as percentages of sales in 1944, the ratios for rented stores dropping from 1.0, 0.8 and 0.6 per cent in 1941 to 0.7, 0.7 and 0.5 per cent in the later period. These declines, however, were relatively somewhat smaller than the gains in sales and

hence average dollar appropriations for this cost were all slightly higher in the more recent year. As between stores in owned and in rented premises, the former classes of outlets naturally had the higher rates of depreciation in the two years under review.

Advertising costs as percentages of sales were practically unchanged in the two smaller sizes of business but the ratio for the largest stores was lower in 1944. In 1941, the three averages for rented jewellery stores amounted to 0.7, 1.4 and 2.3 per cent against ratios of 0.8, 1.3 and 1.6 per cent of sales in 1944. In all but the largest size of business, the decreases were proportionately smaller than the increases in sales and consequently average publicity costs in dollars were greater in the more recent period. Other operating expenses in ratio form likewise followed the same trend and were lower in 1944, the averages dropping from 8.2, 7.1 and 6.9 per cent of sales in the earlier to 8.0, 6.0 and 5.2 per cent in the later year.

Net earnings percentages averaged higher in 1944

Reflecting the fact that the ratios for gross profits were higher and those for total expenses were lower, the proprietors of the reporting jewellery stores received in 1944 much larger shares of the sales dollar in the form of net earnings. Thus forming 18.4, 16.2 and 13.2 per cent of the sales of rented stores in 1941, proprietor's net earnings before income taxes and withdrawals rose to the higher levels of 22.0, 18.2 and 20.6 per cent of total receipts in the more recent period. Aided partly by these gains and partly by the substantial increases in sales volumes, actual net earnings per rented establishment were much higher in 1944, the averages rising from $1,882, $5,123 and $11,234 in 1941 to $3,296, $7,223 and $23,210 per outlet in the later year.

Table 1.--Jewellery Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	6	25		21
2. Total Sales	$38,652	$164,330		$304,793
3. Average Sales Per Store	6,442	6,573		14,514
Total Inventory Reported,			SAMPLE	
4. Beginning of Year	12,386	61,037		119,071
5. End of Year	11,898	68,294	TOO	115,173
6. Average for Year	12,142	64,666		117,122
Average Inventory Per Store,			SMALL	
7. End of Year	1,983	2,732		5,484
8. Cost of Goods Sold	22,186	87,424		185,314
9. Stock Turnover (times per year) ..	1.8	1.4		1.6
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	42.6	46.8		39.2
Operating Expenses:				
11. Employees' Salaries and Wages ..	6.9	3.9		6.3
12. Rent	-	4.9	SAMPLE	4.2
13. Advertising	0.4	0.5		1.1
14. Depreciation	1.4	0.9	TOO	1.2
15. Other Operating Expenses	8.2	9.0		7.8
			SMALL	
16. Total Operating Expenses	16.9	19.2		20.6
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	25.7	27.6		18.6
18. Average Proprietor's Net Earnings Per Store	$1,654	$1,813		$2,697

Table 1.--Jewellery Stores - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
	18		26		27	1.
	$443,569		$1,010,711		$2,701,333	2.
	24,643		38,874		100,049	3.
SAMPLE	147,902	SAMPLE	258,657	SAMPLE	659,316	4.
TOO	147,134	TOO	239,877	TOO	600,678	5.
	147,518		249,267		629,997	6.
SMALL	8,174	SMALL	9,226	SMALL	22,247	7.
	269,690		630,684		1,545,162	8.
	1.8		2.5		2.5	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
	39.2		37.6		42.8	10.
	8.9		8.4		12.3	11.
SAMPLE	3.4	SAMPLE	2.7	SAMPLE	2.8	12.
	0.9		0.8		1.7	13.
TOO	0.7	TOO	0.6	TOO	0.5	14.
	7.6		6.9		5.0	15.
SMALL	21.5	SMALL	19.4	SMALL	22.3	16.
	17.7		18.2		20.5	17.
	$4,369		$7,078		$20,571	18.

Table 2.--Jewellery Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
GENERAL INFORMATION				
1. Number of Stores Reporting	6	30	6	30
2. Total Sales	$54,604	$307,432	$82,640	$449,808
3. Average Sales Per Store	9,101	10,248	13,773	14,994
Total Inventory Reported,				
4. Beginning of Year	27,796	119,257	24,888	133,288
5. End of Year	30,384	122,749	21,969	144,314
6. Average for Year	29,090	121,003	23,429	138,801
Average Inventory Per Store,				
7. End of Year	5,064	4,092	3,662	4,810
8. Cost of Goods Sold	35,274	179,540	49,171	257,290
9. Stock Turnover (times per year) ..	1.2	1.5	2.1	1.9
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)				
10. Gross Trading Profit	35.4	41.6	40.5	42.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	3.8	7.3	5.4	7.2
12. Rent	-	6.0	-	4.1
13. Advertising	0.8	0.7	0.6	0.8
14. Depreciation	2.5	1.0	1.9	0.7
15. Other Operating Expenses	9.5	8.2	8.4	8.0
16. Total Operating Expenses	16.6	23.2	16.3	20.8
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	18.8	18.4	24.2	22.0
18. Average Proprietor's Net Earnings Per Store	$1,711	$1,882	$3,344	$3,296

Table 2.--Jewellery Stores - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944 (Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
7	36	7	36		20		20	1.
$239,659	$1,137,128	$302,619	$1,432,196		$1,701,204		$2,248,555	2.
34,237	31,587	43,231	39,783		85,060		112,428	3.
				SAMPLE		SAMPLE		
111,344	371,779	88,560	421,617		497,568		522,049	4.
121,114	425,911	77,850	369,021	TOO	563,533	TOO	475,817	5.
116,229	398,845	83,205	395,319		530,551		498,933	6.
				SMALL		SMALL		
17,302	11,831	11,121	10,251		28,177		23,791	7.
144,275	693,648	174,914	869,343		1,037,734		1,292,919	8.
1.2	1.7	2.1	2.2		2.0		2.6	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
39.8	39.0	42.2	39.3		39.0		42.5	10.
13.3	9.5	11.1	9.8		12.8		12.1	11.
-	4.0	-	3.3	SAMPLE	3.2	SAMPLE	2.5	12.
0.9	1.4	0.8	1.3		2.3		1.6	13.
1.2	0.8	0.9	0.7	TOO	0.6	TOO	0.5	14.
8.0	7.1	5.6	6.0		6.9		5.2	15.
				SMALL		SMALL		
23.4	22.8	18.4	21.1		25.8		21.9	16.
16.4	16.2	23.8	18.2		13.2		20.6	17.
$5,639	$5,123	$10,284	$7,223		$11,234		$23,210	18.

PART V - TOBACCO STORES

Trends by Size of Business, 1944

Tobacco stores as classified in the 1941 Census of Merchandising consist of outlets specializing in the sale of tobacco, tobacco products and smokers' sundries. Included also are establishments specializing in the sale of a combination of tobacco, magazines and newspapers with or without the addition of other merchandise, but sales of tobacco must exceed receipts from newspapers and magazines. On this basis, about 67 per cent of the total sales of tobacco stores analyzing their sales by commodity classes in the Census comprised cigars, cigarettes and tobaccos. Stationery, books and magazines made up another 9 per cent, candy and confectionery about 5 per cent, all other food products 3 per cent, and miscellaneous merchandise amounted to 16 per cent of their total trade.

This survey of operating results is based upon usable returns received from 182 co-operating tobacco stores. These 182 returns were first classified by sales volume into five sizes of business for stores with sales of less than $10,000, with sales between $10,000 to $20,000, $20,000 to [illegible] and those with dollar volumes of $50,000 or over in 1944. These groupings were then divided between stores in owned and in rented premises to form ten sales and occupancy classifications.

At that point it was found that only 4 reports for owned stores were included in the $30,000 to $50,000 and none was available for such outlets in the $50,000 and over sales size. Statistics have therefore been presented in the table for only eight of the ten possible groupings and these rest upon [illegible] reports. In the three remaining sizes of owned stores the samples were quite small and the results for them should be used with caution. Because of that fact, this summary will deal mainly with the results obtained by the five groupings of rented tobacco stores.

Stock turnover averaged between 10.0 and 16.1 times

Turning now to the results of the survey presented in the table it will be noted that average rates of stock turnover for the five sizes of rented stores varied between a low of 10.0 and a high of 16.1 times in 1944. By size of business the three largest sizes of stores had lower stock turnover ratios than the two smallest ones. In this regard, the averages dropped from 16.1 and 12.9 times in the less than $10,000 and the $10,000 to $20,000 groupings of rented stores to [illegible], 11.5 and 10.2 times in the three larger categories of rented establishments. This relationship - a rather unusual one in retail trade - could have resulted from differences between the inventory and sales compositions of the smaller and the larger tobacco stores. Thus a number of the outlets in the two smallest sizes of business may have been handling more of the fast-selling and staple lines than was true of the larger stores; and hence their inventory requirements in relation to sales would be smaller than those of the bigger establishments.

This tentative suggestion finds at least partial support in rather low inventories per store which the two smallest sizes of rented establishments

reported at the end of 1944. In the less than $10,000 and the $10,000 to $20,000 sales sizes these stocks averaged $324 and $908 per outlet, from which they expanded to $2,155, $2,836 and $5,520 per store in the three larger sizes of business. Changes in inventory positions between the beginning and end of 1944 were mixed as reference to the total inventory figures shown in the table will indicate. In the less than $10,000 sales size total ending inventories were down by 6 per cent from opening levels and were virtually unchanged in the $10,000 to $20,000 grouping of rented stores. An increase of 10 per cent was recorded by the medium-sized stores but in the two largest sizes the expansions averaged only 4 and 3 per cent for an over-all gain of about 5 per cent over beginning levels.

Gross profit ratios averaged between 15.2 and 21.0 per cent

Gross trading profits represent the difference between total sales and the cost of goods sold during the year. Expressed as percentages of sales the gross profit ratios were somewhat lower for the larger sizes of rented stores in 1944. In the less than $10,000 sales size the average stood at 21.0 per cent but from there it dropped to 17.6, 15.6 and 15.2 per cent in the three larger sizes of business to rise finally to 18.6 per cent for rented stores with sales of $50,000 and over.

Among the operating expenses, employees' salaries and wages ranged between averages of 1.9 and 4.3 per cent of sales for the five sizes of rented tobacco stores. By size of business, the ratios exhibited an irregularly rising trend. The series started at 2.0 per cent in the smallest, dropped slightly to 1.9 per cent in the $10,000 to $20,000 sales size, increased to 3.5 per cent in the next and then declined and finally expanded to 2.7 and 4.3 per cent of sales in the two largest sizes of rented stores. These irregularities, however, would have ironed themselves out into a consistent upward progression if the five sales groupings had been combined into three for stores with sales of less than $20,000, $20,000 to $50,000 and of $50,000 and over. Such an upward trend for unincorporated stores is a natural one in retail trade, for as the stores become larger their proprietors personally account for smaller shares of the expanding activities and hence must rely increasingly on paid employees to perform the extra work.

Rentals as percentages of sales followed the customary course and were smaller for the larger tobacco outlets in 1944, the averages dropping from 5.1 per cent in the less than $10,000 to the low of 2.2 per cent in the $30,000 to $50,000 size of store. In stores with sales of $50,000 and over the higher ratio of 3.1 per cent was recorded, an increase which may reflect the tendency for a greater proportion of these 14 stores to be located in the larger urban centres.

Very little in the way of advertising expenditures was reported by the co-operating tobacco stores for 1944. Indeed in the smallest size of business the publicity costs when expressed as a percentage of sales was less than 0.1 per cent and therefore was too small to show. For each of the four remaining sizes of rented stores the averages stood at a nominal 0.1 per cent of total receipts.

Depreciation allowances in ratio form were also on the low side for the rented establishments ranging overall between 0.5 and 0.2 per cent of sales, and amounting in three of the five sales sizes to 0.4 per cent of total receipts. Each of the three groupings of tobacco stores in owned premises with averages of 1.3, 1.3 and 0.9 per cent had higher depreciation expense ratios than their rented counterparts, a clear reflection of the greater investments of capital they had made in their businesses.

Other operating expenses, a residual category, include such operating costs as supplies, communication, taxes other than income taxes, insurance, light, heat and power, repairs, bad debt losses, interest on borrowed money and sundry expenses. Some of these were commonly experienced and probably were quite uniformly included, while others may not have been encountered so generally nor so consistently included in the totals reported. Nevertheless, the ratios for other operating expenses were consistently lower for the larger sizes of rented tobacco stores, the averages dropping from 3.0 per cent of sales in the smallest to 1.7 per cent in the largest size of business. This was probably due to the proper inclusion of certain relatively fixed dollar costs in this expense category which naturally form smaller percentages of large sales volumes than of small ones.

Total expense ratios between 7.5 and 10.5 per cent

Total operating expenses for the five groupings of rented tobacco stores varied between 7.5 and 10.5 per cent of sales in the year under review. By size of business, however, the trend was quite irregular. In rented stores with sales of less than $10,000 these expenses averaged 10.5 per cent of sales, from which the ratio declined to 8.3 per cent in the $10,000 to $20,000 store size, increased to 9.1 per cent in the next, then receded to 7.5 per cent and finally rose to 9.4 per cent for rented stores with sales of $50,000 or over.

Proprietor's net earnings before income taxes and withdrawals can be considered as consisting of two components, one representing a reward for his clerical services and the other a return on his invested capital. In ratio form, the average net earnings of the five sizes of rented tobacco stores ranged between a high of 10.5 and a low of 6.5 per cent of sales in 1944. By size of business, however, the averages showed a quite irregular trend, dropping from 10.5 per cent in the smallest to 9.3 and 6.5 per cent in the $10,000 to $20,000 and the $20,000 to $30,000 sales volume groupings, and then rising to 7.7 and 9.2 per cent of sales in the two largest sizes of stores. This pattern, it may be noted, parallels in considerable degree the trend in the gross trading profit ratios which declined from the smallest to the $30,000 to $50,000 sales size and then moved up to a sharply higher average in the $50,000 and over classification.

In spite of these irregularities, however, the dollar averages for net earnings per outlet were consistently larger for the bigger rented stores. Moving from the smallest to the largest sizes of business, these averages rose from $720 per store in the less than $10,000 sales class to $1,321, $1,606, $2,865 and $6,257 per outlet in the following groupings. The sharp increase between the two largest classifications was due, of

course, to the major expansions in sales volume because average sales jumped from $37,086 per store in the $30,000 to $50,000 category to $67,992 per outlet in the $50,000 and over size of business.

Tobacco Stores--Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	8	24	14	55
2. Total Sales	$53,444	$164,222	$194,928	$781,855
3. Average Sales Per Store	6,681	6,843	13,923	14,216
Total Inventory Reported,				
4. Beginning of Year	5,227	8,300	13,923	49,716
5. End of Year	5,850	7,782	14,563	49,941
6. Average for Year	5,539	8,041	14,243	49,829
Average Inventory Per Store,				
7. End of Year	731	324	1,040	908
8. Cost of Goods Sold	40,350	129,735	155,163	644,249
9. Stock Turnover (times per year) ..	7.3	16.1	10.9	12.9
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	24.5	21.0	20.4	17.6
Operating Expenses:				
11. Employees' Salaries and Wages ..	4.4	2.0	3.5	1.9
12. Rent	-	5.1	-	3.1
13. Advertising	(a)	(a)	(a)	0.1
14. Depreciation	1.3	0.4	1.3	0.5
15. Other Operating Expenses	6.2	3.0	5.7	2.7
16. Total Operating Expenses	11.9	10.5	10.5	8.3
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	12.6	10.5	9.9	9.3
18. Average Proprietor's Net Earnings Per Store	$842	$720	$1,371	$1,321

(a) Less than .05 per cent.

Tobacco Stores--Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
9	33		21		14	1.
$223,397	$806,551		$778,808		$951,892	2.
24,822	24,441		37,086		67,992	3.
		SAMPLE		SAMPLE		
9,851	64,404		57,175		74,713	4.
12,285	71,110	TOO	59,562	TOO	77,276	5.
11,068	67,757		58,368		75,995	6.
		SMALL		SMALL		
1,365	2,155		2,836		5,520	7.
185,420	680,729		660,429		774,840	8.
16.8	10.0		11.3		10.2	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
17.0	15.6		15.2		18.6	10.
2.2	3.5		2.7		4.3	11.
-	2.8	SAMPLE	2.2	SAMPLE	3.1	12.
(a)	0.1		0.1		0.1	13.
0.9	0.4	TOO	0.4	TOO	0.2	14.
3.9	2.3		2.1		1.7	15.
		SMALL		SMALL		
7.0	9.1		7.5		9.4	16.
10.0	6.5		7.7		9.2	17.
$2,470	$1,606		$2,865		$6,257	18.

(a) Less than .05 per cent.

PART VI - COAL AND WOOD DISTRIBUTORS

Trends by Size of Business, 1944

These firms specialize mainly in handling such fuels as coal, coke, fuel oil and wood. Ice, lumber, building materials and supplies may be carried as subsidiary lines but their sales must not form more than 50 per cent of total dollar volumes.

Firms classified for this survey as distributors of coal and wood, however, generally concentrate to a high degree on the sale of fuels. Indeed about 94 per cent of the total sales of such firms analyzing their dollar volumes by classes of commodities in the 1941 Census of Merchandising consisted of heating fuels. Coal and coke were the principal commodities handled, their sales forming 84 per cent of the total. The remaining 10 per cent was made up of fuel oil at about 3 per cent and of wood and other fuels at 7 per cent of the total trade. The subsidiary lines thus amounting to only 6 per cent consisted of building materials at 3 per cent, ice 1 per cent and miscellaneous commodities 2 per cent of the sales so analyzed. The percentages just given, of course, are overall averages and the sales compositions of individual establishments would have varied somewhat from this percentage distribution.

Operating results affected by wartime conditions

The fact that coal and coke bulks so heavily in the sales of these coal and wood distributors has meant that their operating results were affected in considerable degree perhaps by the special wartime conditions prevailing in this trade. Coal, of course, was a strategic commodity, the use of which was greatly expanded not only by the industrial war effort but by augmented demands from increased numbers of consumers in the urban centers. These additional needs, moreover, were imposed upon a Canadian supply position normally balanced by substantial imports from Great Britain and the United States, both of which countries needed enlarged quantities to meet their own requirements. Such conditions called for governmental regulations designed to channel the right kinds and grades of coal to the essential industrial users, to ensure the equitable distribution of the remaining quantities to other consumers, and to control prices in the interests of the anti-inflation policies.

These developments naturally introduced various changes into the retail distribution of coal and coke. As the supply-demand position tightened, many coal dealers probably found themselves with reduced allocations and frequently selling different kinds and grades of coal - often at prices and mark ups varying from those they realized from their more normal lines of fuel. Retail prices, although comparatively well maintained by price controls and by the payment of subsidies, rose somewhat during the wartime period, the Bureau's retail price indexes for coal in 1944 being about 6 per cent above the 1941 average. With mark ups fixed on a tonnage basis according to dollar spreads realized in the basic period from September 15 to October 11, 1941, this meant that the dealers' gross trading profits as percentages of sales changed to some extent with changes in the kinds of coal which were carried. These rates of profit, moreover, tended to be reduced to some extent because the fixed dollar mark ups were expressed in fact as percentages of slightly higher selling prices.

The retail fuel dealers included in this sample may have varied in respect to services provided and the physical facilities they employed. Some of the distributors, of course, may have carried a number of kinds and grades of coal in stock while others may have specialized in stocking and handling particular types. At the other end of the scale, there were probably a number of what might be termed "truckers" who were included in the sample. Such dealers usually solicit orders from and make deliveries to customers from railway sidings or from wholesalers' yards, practically no stocks therefore being carried. Operating in this manner, the principal fixed assets of these distributors would consist of motor trucks, their requirements for coal yards and other physical facilities being greatly reduced by the very nature of their activities. The proportions of the different types of retail dealers, moreover, would also vary between different cities and sections of the country depending upon nearness to producing areas or to large wholesalers, the size and type of markets being served, and upon other factors prevailing in the pre-war period.

The effects of such developments and variations upon the national averages shown in the two tables obviously cannot be determined. Average rates of stock turnover, changes in inventories from beginning to end-of-year levels and average year-end stocks per establishment were probably influenced in some of the groupings not only by the inclusion of firms which customarily did not carry stocks but also by war-caused variations in distributors' inventory positions. The gross profit percentages, while being influenced by changes in the realized dollar mark ups which resulted from shifts in the kinds and grades of coal carried, were also probably affected in some degree at least by the inclusion of firms which, providing more limited services than others, were obtaining relatively lower rates of mark up. The expense percentages likewise would be affected by variations in services rendered and in equipment and fixed assets maintained. The effects of all of these factors, moreover, could have been all the more pronounced because of the comparatively restricted numbers of individual reports upon which the averages were based. Here it would be quite possible for a number of reports reflecting certain erratic conditions to congregate in particular classifications and thus throw the resulting averages rather widely out of line. The statistics appearing in the tables should therefore be treated with caution and be regarded more as rough indicators than as accurate national measures of operating experiences.

Turning now to the results of the recent survey, a total of 150 unincorporated coal and wood distributors returned usable reports on their operating experiences in 1944. These were first sorted into five sizes of business for establishments having sales of less than $10,000, between $10,000 and $20,000, $20,000 and $30,000, $30,000 and $50,000, and those with sales of $50,000 and over. Each of these was then broken down between businesses in owned and in rented premises to form ten sales and occupancy classifications. Only 3 reports, however, were received from rented establishments with sales of less than $10,000 in 1944. Averages are therefore presented in Table 1 for only nine of the ten categories of coal and wood distributors. In these the samples are also quite small for in seven of the nine categories the number of reports ranged between 7 and 19.

Referring to the statistics presented in Table 1, the nine averages for rates of stock turnover, which is computed by dividing the cost of goods sold by the average of beginning and ending inventories at cost levels, varied between a low of 11.0 and a high of 30.6 times in 1944. The latter ratio for 14 owned establishments with sales of less than $10,000, however,

appears quite out of line, for in the other eight groupings the stock turnover averaged between 11.0 and 19.6 times in the year. The results show no definite tendency to vary either directly or inversely with the size of business. Apparently the effects of restricted supplies resulting frequently in hand to mouth buying by the retail trades were sufficiently great to overshadow the usual effect of annual volume of business upon stock turnover rate.

Average inventories per establishment at the end of 1944 varied directly with size and were therefore much higher for the larger coal and wood distributors. The smallest average ending inventory figure amounting to $149 per establishment was recorded by the 14 dealers in owned premises with individual sales of less than $10,000. Ending inventories averaged $819 and $676 per unit for owned and rented establishments with sales between $10,000 and $20,000, $2,038 and $1,297 in the $20,000 to $30,000, and $2,394 and $1,885 in the $30,000 to $50,000 groupings and stood at the considerably higher levels of $4,813 and $4,571 per establishment for those with annual receipts of $50,000 or over. Total inventories were valued somewhat higher at the end of the period than at the beginning, the aggregate figures for all owned and rented establishments indicating an increase of about 18 per cent. Here it should be noted that 132 out of the 150 firms reported for the 1944 calendar year while the others gave March 31, 1945 or later as the end of their fiscal periods.

Gross profits averaged between 15.5 and 26.8 per cent of sales

Gross trading profits for the nine sales and occupancy classes of coal and wood dealers varied between 15.5 and 26.8 per cent of sales in 1944 and for the seven intervening groupings between the much narrower range of 18.1 and 25.5 per cent. According to amount of sales made the ratios showed no conclusive tendencies to vary either directly or inversely with size of business. For owned establishments the averages increased from 15.5 per cent in the smallest to 25.0 per cent in the $10,000 to $20,000 sales size and then dropped to 21.7, 18.1 and 18.5 per cent in the three larger sizes of establishments. The high point for dealers in rented premises occurred in the $10,000 to $20,000 grouping where a ratio of 26.8 per cent was recorded, but the three larger sizes had the lower averages of 22.3, 25.5 and 25.0 per cent of sales, respectively.

Among the individual operating expenses, employees' salaries and wages for both owned and rented establishments were generally higher as percentages of sales for the larger sizes of business. For distributors in owned premises, the upward progression started with the unusually low figure of 1.5 per cent in the less than $10,000 size and then moved steadily upward to 4.6, 6.0, 6.3 and 6.9 per cent of dollar volumes in the four larger sales sizes. The four payroll ratios for rented establishments, on the other hand, divided themselves into two categories, the averages for those with sales between $10,000 to $20,000 and from $20,000 to $30,000 centering around 7.3 or 7.4 per cent and for those with volumes ranging from $30,000 to $50,000 and $50,000 or over concentrating around 10.3 per cent. This trend was due principally to the fact that the proprietors of the larger establishments personally accounted for smaller shares of the enlarged activities and hence had to rely to a greater extent on the services of paid employees than was true of the smaller businesses.

Rental expenses in ratio form for the four groupings of establishments in leased premises generally adhered to the usual pattern and were smaller for the larger distributors. The highest average of 1.7 per cent of sales was therefore recorded by dealers with sales between $10,000 and $20,000, from which point the ratios declined to 0.8, 1.1 and 0.5 per cent of sales in the three larger sizes of outlets.

Advertising expenses as percentages of sales were low in all of the nine sales and occupancy groupings of establishments. Indeed, the lowest average amounting to something less than 0.1 per cent of sales was too small to appear in Table 1. In four others it formed 0.1 per cent, in two 0.2 per cent and in the two remaining amounted to 0.3 per cent of sales in 1944.

Depreciation allowances expressed in terms of ratios were somewhat higher, ranging for the nine classes of establishments between 0.7 and 1.8 per cent of sales. The low of 0.7 was rather unusual in that it was recorded by the smallest size of owned establishments. The high of 1.8 per cent for distributors in owned premises occurred in the $10,000 to $20,000 size from which the ratios dropped to the lower level of 1.1, 0.9 and 1.1 per cent of sales in the three larger sales sizes. The four ratios for rented establishments, however, were represented by two averages with a figure of 1.4 or 1.5 per cent standing for the two smallest and an average of 1.0 per cent for the two largest sizes of business. In comparison with their rented counterparts the depreciation percentages are usually higher for the owned establishments. This relationship prevailed, however, in only two of the four groupings of coal and wood dealers for which comparisons were possible, the reverse being true in the other two sizes of business.

Other operating expenses, a residual category, included such items as heat, light, power and water, all taxes other than income taxes, insurance, repairs and maintenance, interest on borrowed money, operating supplies, travelling and other communication costs, and sundry expenses. Some of these were common to all dealers and were included quite consistently in the figures reported; others, depending on individual circumstances, may not have been so widely experienced and so generally included. Probably due to this reason the percentage averages for other operating expenses were quite irregular in their trends by size of business. For owned establishments the series began with the rather low ratio of 5.0 per cent in the smallest size of business and rose to 6.5 and 9.6 per cent of sales in the $10,000 to $20,000 and the $20,000 to $30,000 sizes before receding to 6.6 and 5.8 per cent in the two largest sales groupings. For rented outlets, however, the ratios dropped from 9.7 per cent in the $10,000 to $20,000 size to 7.6 per cent in the next and then rose slightly to 7.9 per cent in each of the two largest sizes of business.

Total expenses averaged between 7.3 and 20.6 per cent of sales

Consolidating the various expense items just described, total operating expenses ranged between 7.3 and 20.6 per cent of sales in 1944. The lowest ratio of 7.3 per cent which represented the 14 owned establishments with sales of less than $10,000 was due mainly to the strikingly low payroll ratio which amounted to 1.5 per cent. Omitting this percentage from the comparisons, the eight remaining averages standing for owned and rented establishments with sales of $10,000 or over varied between 13.0 and 20.6 per

cent of sales. Among these, the total expense percentages tended more to stabilize than to vary either directly or inversely with size of business, the upward progressions in the payroll percentages being largely offset by declines in the ratios for depreciation and other operating expenses. Thus for owned outlets the averages rose from 13.0 per cent in the $10,000 to $20,000 to 16.9 per cent in the next and then returned to 13.9 and 14.0 per cent in the two largest sizes. For rented establishments the series began at 20.5 per cent in the $10,000 to $20,000 grouping, dropped to 17.4 in the next, and at 20.6 and 19.8 per cent of sales in the two largest sizes of business approximated closely the average for dealers with sales between $10,000 and $20,000.

<u>Proprietor's net earnings varied between 4.2 and 12.0 per cent of sales</u>

Proprietor's net earnings as used here really comprise two components, one consisting of a reward for his personal services, the other of a return on his capital investment in the business. These averages ranged between outside limits of 4.2 and 12.0 per cent of sales for the nine sales and occupancy classes of establishments shown in Table 1. Both owned and rented establishments in the $10,000 to $20,000 sales size had the highest net earnings ratios with averages amounting to 12.0 and 6.3 per cent. In the three larger sizes of business, however, net earnings were closely grouped around considerably lower percentage figures, the ratios for such dealers in owned premises amounting to 5.0, 4.2 and 4.5 per cent and for those in rented premises to 4.9, 4.9 and 5.2 per cent of sales.

Actual dollar figures for net earnings per business were naturally higher for the larger establishments. Such earnings for businesses in owned premises ranged from $438 per outlet in the less than $10,000 sales size to $3,786 per unit for dealers with sales of $50,000 and over. Average net earnings for dealers in rented premises varied from $925 per unit for firms with sales between $10,000 and $20,000 to $4,992 per establishment for those having sales in 1944 of $50,000 and over.

<u>Operating Results of Continuing Establishments in 1941 and 1944 Compared</u>

Of the 150 coal and wood distributors reporting their operating results for 1944, only 92 were able to provide similar information for 1941. In view of the more limited number of firms reporting for the earlier period in was necessary to reduce the number of size categories for which statistics are given from the five shown in Table 1 to the three enlarged ones which appear in Table 2. The 92 reports were then classified by size of business for the second table according to their sales in 1941 entirely independent of their dollar volumes in the later year. This method enables the trends in the operating results for identical groupings of establishments to be examined over the four-year period. Such trends, however, are not necessarily representative either in direction or amount with what the entire trade may have experienced, for the possibilities of variation were considerable and only relatively small numbers of reports were available for such purposes.

The first aspect of the results of coal and wood dealers which can be compared is that of sales trends. Included in the 92 distributors reporting for both years were 1[illegible] establishments in owned premises which had

sales in 1941 of less than $20,000. The sales of these averaged 22 per cent above the amount of business they transacted in 1941. There were also 17 firms in owned properties having 1941 sales between $20,000 and $50,000 and 19 distributors with volumes of $50,000 and over whose sales in the later period were up by 18 and 17 per cent, respectively, making an average for the 52 firms of about 18 per cent. The sample for establishments in rented premises was somewhat smaller but the 9 dealers in the smallest size of business experienced an increase of 56 per cent, the 19 in the intermediate grouping a gain of 52 per cent, and the 12 in the largest sales size an expansion of 38 per cent. In summary, the 40 establishments in rented premises recorded an average expansion of 44 per cent which when combined with the 52 firms in owned premises resulted in an overall gain of about 30 per cent for the 92 concerns which continued in business during the entire period.

Stock turnover averages all higher in 1944

In the light of these gains in sales it is not surprising to find the average rates of inventory turnover considerably higher in the later year. The extent of the increases which occurred in the stock turnover averages is indicated by the fact that while the ratios for the six sales and occupancy classes of establishments varied between 8.5 and 15.5 times in 1941 they were contained between the higher outside limits of 10.4 and 19.6 times in 1944.

Reductions in inventory levels between the end of 1941 and the close of 1944 also contributed to the upward movement in rates of stock turnover, for the total inventories for all reporting distributors in 1944 averaged 12 per cent lower than at the end of the later period. By size of business, however, the recessions were quite irregular. Average ending inventories per establishment, it may be noted, ranged for the six sales and occupancy groupings of distributors between $572 and $6,688 in 1941 and between $712 and $4,792 in 1944.

Average gross profit percentages varied irregularly

Average rates of gross trading profits for the six classes of coal and wood dealers varied in 1941 between 17.6 and 26.1 per cent of sales and between 17.3 and 27.9 per cent in the more recent year. Little in the way of a trend in the ratios was evident, however, when exact comparisons were made. In two instances, that of owned establishments with sales of less than $20,000 and of rented ones with dollar volumes between $20,000 and $50,000, the ratios moved upward from 20.9 to 23.9 per cent and for the latter from 25.7 to 27.9 per cent. Declines were recorded by two others, the averages for owned outlets with sales between $20,000 and $50,000 dropping from 20.0 to 19.4 per cent and for rented ones with sales of $50,000 or over from 26.1 to 21.7 per cent of sales, while in the two remaining classifications the ratios remained virtually unchanged. Differences in the kinds and grades of coal carried and in the manner of accounting for subsidies received may be at least partially responsible for the quite erratic variations which have been noted.

Among the operating expense ratios, the trends in the payroll

ratios were also mixed. Expressed as percentages of sales, employees' salaries and wages were higher for 1944 in three of the six classes of establishments by amounts ranging between 1.1 and 1.9 percentage points. Comparative stability featured the three other groupings where the declines ran between 0.2 and 0.5 percentage points. These changes indicate that average salary and wage payments per distributor were higher in each of the six groupings in 1944, a natural reflection of the substantially larger volumes of sales the dealers were then making. Overall the payroll ratios varied between 5.8 and 10.1 per cent of sales in 1941 and between 5.3 and 12.0 per cent in the later period.

Rentals, however, were lower as percentages of total sales in 1944. In the earlier year the averages for the three sizes of business stood at 1.6, 1.0 and 0.6 per cent of total dollar volumes against corresponding ratios of 1.0, 0.7 and 0.4 per cent in the more recent period. Advertising expenses in percentage form remained low and were quite stable in both years. For 1941 these costs varied between 0.1 and 0.4 per cent of sales and for 1944 between 0.1 and 0.3 per cent.

A high degree of stability also featured the average percentages for depreciation allowances. In two of the six groupings the ratios were unchanged, in two others they were up slightly while minor declines took place in the remaining classifications. Overall the six averages varied between 0.8 and 1.3 per cent of sales in 1941 and between 0.8 and 1.6 per cent in 1944. These changes, however, were not sufficient to offset the effects of the substantial increases in sales volume and hence the dollar allocations for depreciation expense were considerably larger in the more recent period.

Other operating expenses ranged between averages of 5.8 and 9.6 per cent of sales in 1941 and from 5.6 to 9.1 per cent in 1944. When examined in detail certain irregularities in trend are apparent. In two of the groupings, that of owned establishments with sales of less than $20,000 and of businesses in rented premises with sales between $20,000 and $50,000, the ratios moved upward by 0.7 and 1.1 percentage points against decreases in the other four which varied between 0.2 and 1.3 percentage points.

Total expense ratios were also irregular in trend

The mixed trends between 1941 and 1944 which have just been noted especially in the payroll and other expense percentages naturally tended to be reflected in the total operating expense ratios, for these two costs far outweighed the other three in importance. In summary, the six averages for total expenses varied between 13.0 and 20.7 per cent of sales in 1941 and between 12.2 and 23.1 per cent in the more recent period.

Proprietor's net earnings for the six groupings ranged from 4.3 to 7.6 per cent of sales in 1941 and from 3.0 to 9.9 per cent in 1944. Two categories recorded increases, three showed appreciable declines while the ratio for the sixth remained practically unchanged between the two years.

In dollar figures, average net earnings per establishment were higher in four of the six sales and occupancy groupings of coal and wood dealers in 1944 but were moderately lower in the other two. These averages varied between lows and highs of $756 and $6,398 in 1941 and between $1,099 and $6,155 in the more recent period.

Table 1.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $10,000		$10,000 to $19,999	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	14		15	15
2. Total Sales	$75,419		$227,379	$221,130
3. Average Sales Per Store	5,387		15,159	14,742
Total Inventory Reported,		SAMPLE		
4. Beginning of Year	2,072		10,846	6,387
5. End of Year	2,091	TOO	12,287	10,140
6. Average for Year	2,082		11,566	8,264
Average Inventory Per Store,		SMALL		
7. End of Year	149		819	676
8. Cost of Goods Sold	63,729		170,534	161,867
9. Stock Turnover (times per year) ..	30.6		14.7	19.6
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	15.5		25.0	26.8
Operating Expenses:				
11. Employees' Salaries and Wages ..	1.5		4.6	7.4
12. Rent	-	SAMPLE	-	1.7
13. Advertising	0.1		0.1	0.3
14. Depreciation	0.7	TOO	1.8	1.4
15. Other Operating Expenses	5.0		6.5	9.7
		SMALL		
16. Total Operating Expenses	7.3		13.0	20.5
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ...	8.1		12.0	6.3
18. Average Proprietor's Net Earnings Per Store	$438		$1,826	$925

Table 1.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1944 Sales Size and Occupancy Basis, Canada, 1944 (Cont.)

AMOUNT OF ANNUAL SALES						
$20,000 to $29,999		$30,000 to $49,999		$50,000 and Over		
Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION						
7	12	19	15	28	22	1.
$175,282	$312,682	$737,364	$607,9[illegible]6	$2,359,433	$2,098,343	2.
25,040	26,057	38,809	40,531	84,265	95,379	3.
10,626	13,920	40,578	28,069	92,829	103,839	4.
14,267	15,561	45,491	28,276	134,760	100,566	5.
12,447	14,741	43,035	28,173	113,795	102,203	6.
2,038	1,297	2,394	1,885	4,813	4,571	7.
137,246	242,954	603,164	452,327	2,026,753	1,573,757	8.
11.0	16.5	14.0	16.1	17.8	15.4	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)						
21.7	22.3	18.1	25.5	18.5	25.0	10.
6.0	7.3	6.3	10.5	6.9	10.1	11.
-	0.8	-	1.1	-	0.5	12.
(a)	0.2	0.1	0.1	0.2	0.3	13.
1.1	1.5	0.9	1.0	1.1	1.0	14.
9.6	7.6	6.6	7.9	5.8	7.9	15.
16.7	17.4	13.9	20.6	14.0	19.8	16.
5.0	4.9	4.2	4.9	4.5	5.2	17.
$1,264	$1,282	$1,640	$2,001	$3,786	$4,992	18.

(a) Less than .05 per cent.

Table 2.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

Item	AMOUNT OF ANNUAL SALES			
	Less than $20,000			
	1941		1944	
	Owned	Rented	Owned	Rented
	GENERAL INFORMATION			
1. Number of Stores Reporting	16	9	16	9
2. Total Sales	$167,123	$95,525	$204,100	$149,104
3. Average Sales Per Store	10,445	10,614	12,756	16,567
Total Inventory Reported,				
4. Beginning of Year	12,445	3,981	9,225	5,011
5. End of Year	14,913	5,151	11,395	8,478
6. Average for Year	13,679	4,566	10,310	6,745
Average Inventory Per Store,				
7. End of Year	932	572	712	942
8. Cost of Goods Sold	132,194	71,071	153,320	111,381
9. Stock Turnover (times per year) ..	9.7	15.5	14.9	16.5
	PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)			
10. Gross Trading Profit	20.9	25.6	23.9	25.3
Operating Expenses:				
11. Employees' Salaries and Wages ..	6.2	6.4	5.8	7.8
12. Rent	-	1.6	-	1.0
13. Advertising	0.1	0.1	0.1	0.1
14. Depreciation	1.3	0.8	1.6	0.9
15. Other Operating Expenses	5.8	9.6	6.5	8.9
16. Total Operating Expenses	13.4	18.5	14.0	18.7
17. Proprietor's Net Earnings Before Income Taxes and Withdrawals ..	7.5	7.1	9.9	6.6
18. Average Proprietor's Net Earnings Per Store	$787	$756	$1,273	$1,099

Table 2.--Coal and Wood Distributors - Operating Results for Stores Classified According to 1941 Sales Size and Occupancy Basis, Canada, 1941 and 1944

(Cont.)

AMOUNT OF ANNUAL SALES								
$20,000 - $49,999				$50,000 and Over				
1941		1944		1941		1944		
Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	
GENERAL INFORMATION								
17	19	17	19	19	12	19	12	1.
$567,227	$657,703	$669,699	$999,018	$1,433,070	$1,006,308	$1,678,228	$1,388,057	2.
33,366	34,616	39,394	52,580	75,425	83,859	88,328	115,671	3.
50,465	37,438	45,295	47,190	93,660	45,793	65,097	57,804	4.
55,898	51,066	58,088	46,456	127,081	51,624	91,057	53,052	5.
53,182	44,252	51,692	46,823	110,371	48,709	78,077	55,428	6.
3,288	2,688	3,417	2,445	6,688	4,302	4,792	4,421	7.
453,782	488,673	539,777	720,292	1,180,850	743,660	1,386,216	1,086,849	8.
8.5	11.0	10.4	15.4	10.7	15.3	17.8	19.6	9.
PROFIT AND LOSS DATA (Items Expressed As Percentages of Sales)								
20.0	25.7	19.4	27.9	17.6	26.1	17.3	21.7	10.
6.7	10.1	7.8	12.0	5.8	8.2	5.3	8.0	11.
-	1.0	-	0.7	-	0.6	-	0.4	12.
0.2	0.4	0.1	0.2	0.3	0.4	0.2	0.3	13.
0.9	1.2	0.9	1.1	1.1	1.1	1.1	0.8	14.
7.9	8.0	7.6	9.1	5.8	8.2	5.6	6.9	15.
15.7	20.7	16.4	23.1	13.0	18.5	12.2	16.4	16.
4.3	5.0	3.0	4.8	4.6	7.6	5.1	5.3	17.
$1,449	$1,741	$1,189	$2,490	$3,506	$6,398	$4,537	$6,155	18.

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MERCHANDISING AND SERVICES STATISTICS

DOMINION BUREAU OF STATISTICS

OTTAWA, CANADA

OPERATING RESULTS

OF

MISCELLANEOUS RETAIL STORES

1945

Independent:

RESTAURANTS

RESTAURANTS WITH MERCHANDISE

COAL AND WOOD DISTRIBUTORS

DRUG STORES WITHOUT SODA FOUNTAIN

DRUG STORES WITH SODA FOUNTAIN

JEWELLERY STORES

TOBACCO STORES

BULLETIN NO 5

CANADA

July, 1947

Price 25 Cents

CONTENTS

DEFINITIONS

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS TRADING PROFIT OR MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in operating a business, except the cost of merchandise. They include:

Salaries and wages paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are not included.

Advertising

Store supplies used in the business during the year such as: wrapping paper, office supplies, gasoline and oil for delivery trucks.

Loss on bad debts in the year - amount written off less bad debts recovered.

Taxes and insurance - business, property and water taxes, licences including truck licences, insurance premiums carried for the protection of the business. Income taxes are not included.

Rentals - for premises used only in the business.

Heat, light and power used in the year.

Repairs and maintenance - incurred for the purpose of keeping fixed store assets in efficient operation, including delivery equipment.

Depreciation - allowances to cover decreases in the value of fixed store assets including delivery equipment.

All other expenses - telephone, telegraph, postage, bank charges, legal, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

CUSTOMERS' ACCOUNTS OUTSTANDING are all accounts receivable on the books at the end of the year.

DOMINION BUREAU OF STATISTICS

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16 - 7050

OPERATING RESULTS OF MISCELLANEOUS KINDS OF RETAIL TRADE, 1945

Introduction

This report is one of a series reviewing average operating results for 1945, and covers the following kinds of business: restaurants with little or no merchandise; restaurants with merchandise; coal and wood distributors; drug stores without fountain; drug stores with fountain; jewellery stores; tobacco stores. In 1944 a similar survey was carried out for a dual purpose; to provide an estimate of the contribution made to the national income by unincorporated retail stores, and to provide reliable statistics on operating costs in retail trade. The average results presented in this report were obtained from stores whose individual profits and expenses vary considerably. Therefore, if the results of an individual store do not coincide with the averages, it does not follow that the store is being operated inefficiently.

The tables, however, may assist the merchant in deciding where economies may be most effective and may indicate the need for additional expenditures in other phases of business operation to meet changing conditions. Repairs or replacements of fixed assets and equipment, not available during war years, may now become a necessity. The resuming of pre-war services such as deliveries and credit, may be necessary to keep up sales volume in face of otherwise declining sales. With the possibility of more competition, unstable prices and greater expense outlay, these basic operating ratios may be of use in planning for changed conditions in the retail field.

The ultimate objective of business is to realize a net profit on operations. This might be the first item of comparison an individual owner makes with his own results. If his net profit is greater than the average shown for his particular business in this report, he may gain further by item-by-item comparison of his operating costs with those in the tables. If his net profit is smaller than average, a careful check should be made on his different expense items, using the averages shown as a guide in determining which items require investigation. In this way improvement in gross margin or a lessening of expenses may be accomplished to result in a greater net profit.

The prospective new entrant may find much information useful in planning his inventory outlay, expected rate of stock turnover, and various expenses such as salaries, advertising, rentals and so on.

Definitions of the terms used in this report and the components of the different expense items are given on page 2. When making comparison with other results, allowance should be made for any difference in definitions. When making comparisons of present day results with this report, allowance should also be made for any economic changes which have occurred since 1945. Chain stores were not included in this survey.

SUMMARY

Some of the significant features in the 1945 operations of the retail stores contained in this bulletin are noted below.

Restaurants (with little or no merchandise sales)

1. The average unincorporated restaurant operated on a gross margin of 36.8 per cent of net receipts. As would be expected, a high ratio of employees' salaries characterized these establishments (17.1 per cent). Total expenses amounted to 28.2 per cent of receipts. Before proprietors' salaries and income taxes were deducted, net profit was reported as 8.6 per cent. (See table 1).

2. Though gross margin ratios were irregular over the different size ranges, net profit ratios decreased consistently as business volume expanded. Reflecting a considerable incline in trend of salaries, total expenses were greater in the larger establishments. (See table 8, page 12).

3. Rented businesses reported wider gross margins than did owned restaurants. The higher expenses of rented businesses, particularly salaries, offset the marginal advantage, to result in net profits smaller than in owned establishments in one size class ($10,000-$19,999) and only slightly greater net profits in the other groups shown ($20,000-$49,999 and $50,000-$99,999). (See table 8, page 12).

Table 1. - Operating Results of Restaurants (with little or no merchandise sales), 1945
(445 restaurants reporting)

Item	Average dollar figures	Percentage of net sales
	$	%
Average net sales	45,956	100.0
Gross trading profit	16,930	36.8
Operating expenses:		
Employees's salaries	7,878	17.1
Advertising	96	0.2
Store supplies	495	1.1
Bad debts	4	(a)
Occupancy expenses	3,381	7.4
All other expenses	1,107	2.4
Total operating expenses	12,961	28.2
Net profits before deduction of proprietors' salaries and income tax	3,969	8.6

(a) Less than 0.05 per cent.

Restaurants With Merchandise

1. In 1945, the average restaurant with merchandise sales between 20 and 50 per cent of total sales, operated on a margin of 31.0 per cent of total net sales. While the sale of merchandise caused this to be lower than the gross margin of restaurants with little or no merchandise, the ratio of salaries paid to employees was also smaller so that net profits were 9.3 per cent of sales. Merchandise sales formed 36.0 per cent of total receipts. (See table 2.)

2. Net profit ratios in rented establishments decreased with expanding volume of business. Owned businesses were fewer in number and are shown for two size classes only on which no trend can be based. Gross profits were more irregular in trend. Total expenses, reflecting increased labour cost in the larger restaurants, showed a ratio to net sales increasing with volume of business.

   The proportion of merchandise sold decreased with sales volume. (See table 9, page 14).

Table 2. - Operating Results of Restaurants With Merchandise, 1945
(196 restaurants reporting)

Item	Average dollar figures	Percentage of net sales
	$	%
Average net sales	30,708	100.0
Gross trading profit	9,525	31.0
Operating expenses:		
Employees' salaries	3,633	11.8
Advertising	45	0.2
Store supplies	254	0.8
Bad debts	7	(a)
Occupancy expenses	2,120	6.9
All other expenses	605	2.0
Total operating expenses	6,664	21.7
Net profits before deduction of proprietors' salaries and income tax	2,861	9.3
Average merchandise sales	11,056	36.0

(a) Less than 0.05 per cent.

Coal and Wood Distributors

1. In 1945, the average unincorporated coal and wood dealer operated on a gross margin of 20.1 per cent of net sales as compared to the 1944 margin of 20.7 per cent. While salaries remained unchanged, other expenses decreased in ratio during 1945 with the result that a net profit slightly greater than that in 1944 was realized; 1945, 5.0 per cent and 1944, 4.8 per cent. (See table 3.)

2. Incorporated firms, operating on a gross margin of 20.4 per cent, obtained only a slightly wider margin than unincorporated dealers. With salaries paid to firm members included in expenses, these firms realized a net profit of 1.9 per cent before income tax deductions. (See table 3.)

3. While net profit ratios to total net sales decreased consistently with expanding sales volume, gross profit ratios were irregular in trend. The ratio of salary expense generally increased with volume of sales while rent expense decreased proportionately.

Inventories were lower at the end of the year than at the beginning. The rate of stock turnover was irregular over the five size ranges but averaged 18.9 times per year. (See table 10, page 17).

Table 3. - Operating Results of Coal and Wood Distributors
(with 1944 percentages for comparison)

Item	1945			1944
	Incorporated (64 firms)	Unincorporated (249 firms)		Unincorporated (168 firms)
	Percentage of net sales	Percentage of net sales		Percentage of net sales
	%	%		%
Average net sales	100.0	100.0		100.0
Gross trading profit	20.4	20.1		20.7
Operating expenses:				
Employees' salaries	10.8	7.9		7.9
Advertising	0.3	0.2		0.2
Store supplies	1.7	1.9		
Bad debts	0.1	0.2		
Occupancy expenses	3.4	3.0	7.0	7.8
All other expenses	2.2	1.9		
Total operating expenses	18.5	15.1		15.9
Net profits before deduction of proprietors' salaries and income tax	1.9	5.0		4.8

Drug Stores Without Soda Fountain

1. In 1945, the average unincorporated drug store, not operating a soda fountain, operated on a gross margin of 27.2 per cent of net sales. Expenses formed 14.0 per cent of net sales with salaries accounting for exactly half at 7.0 per cent. This left an average net profit ratio of 13.2 per cent before deduction of proprietors' salaries and income taxes. (See table 4.)

2. Incorporated firms obtained wider margins on the average than did unincorporated stores. From an average gross profit of 33.9 per cent they paid expenses to the extent of 23.5 per cent of net sales. This expense ratio included salaries paid to all firm members. Incorporated stores realized a net profit, before income tax deductions, of 10.4 per cent. (See table 4.)

3. With one exception, net profit ratios declined with increasing sales volume. Because of the greater volume of sales, the average dollar value of net earnings increased in the larger stores. Gross profit ratios did not follow the general downward trend of net profit ratios but were more irregular. Like other retail trades, salary ratios increased proportionately with sales volume while the ratio of rent expense decreased. (See table 12, page 20).

4. Gross profits in rented stores were generally greater than in owned stores. Higher expense ratios, particularly in salaries paid to employees, more than offset any advantage in margin to result in smaller net profits in rented stores. (See table 12, page 20).

Table 4. - Operating Results of Drug Stores Without Soda Fountain, 1945

Item	Incorporated (46 stores)		Unincorporated (546 stores)	
	Average dollar figures	Percentage of net sales	Average dollar figures	Percentage of net sales
	$	%	$	%
Average net sales	78,359	100.0	34,286	100.0
Gross trading profit	26,557	33.9	9,318	27.2
Operating expenses:				
Employees' salaries	11,338	14.5	2,396	7.0
Advertising	766	1.0	211	0.6
Store supplies	671	0.9	213	0.6
Bad debts	67	0.1	24	0.1
Occupancy expenses	3,934	5.0	1,346	4.0
All other expenses	1,605	2.0	600	1.7
Total operating expenses	18,381	23.5	4,790	14.0
Net profits before deduction of proprietors' salaries and income tax	8,176	10.4	4,528	13.2

Drug Stores With Soda Fountain

1. Unincorporated drug stores operating soda fountains realized an average gross margin of 25.3 per cent of net sales, slightly less than the 27.2 per cent margin obtained by drug stores without fountain service. The total expense ratio was greater, reflecting a slightly higher salary cost from the soda fountain service. Net profits were 10.4 per cent of net sales as compared to the 13.2 per cent profit realized by drug stores not operating soda fountains. The average ratio from soda fountain receipts was 27.8 per cent of total sales. (See table 5.)

2. Although gross margins increased with volume of sales, a sharper incline in ratio of total expenses resulted in smaller ratios of net profits in the larger stores. Salaries rose in percentage of net sales as business volume expanded while other expenses showed little change. (See table 14, page 23).

Table 5. - Operating Results of Drug Stores With Soda Fountain, 1945
(214 stores reporting)

Item	Unincorporated	
	Average dollar figures	Percentage of net sales
	$	%
Average net sales	41,818	100.0
Gross trading profit	10,563	25.3
Operating expenses:		
Employees' salaries	3,152	7.5
Advertising	241	0.6
Store supplies	272	0.7
Bad debts	31	0.1
Occupancy expenses	1,834	4.4
All other expenses	676	1.6
Total operating expenses	6,206	14.9
Net profits before deduction of proprietors' salaries and income tax	4,357	10.4
Receipts from soda fountain ...	11,605	27.8

Jewellery Stores

1. In 1945, unincorporated jewellery stores operated on a gross margin of 38.6 per cent, as compared to 41.3 per cent in 1944. Although expenses were curtailed somewhat in 1945, net profits before deduction of proprietors' salaries and income taxes were less than in 1944; (1945-18.0 per cent; 1944-20.1 per cent). (See table 6.)

2. Incorporated jewellery stores on the average obtained wider margins in 1945 than did unincorporated stores. With salaries paid to all firm members included in expenses and with a higher ratio of advertising expense, incorporated jewellery stores realized a net profit, before income tax deductions, of 13.4 per cent of net sales. (See table 6.)

3. Net profit ratios, in general, decreased with expanding volume of sales. Gross profit ratios were more irregular in trend over the different size ranges. Salary expense and advertising increased in proportion to sales volume while the rent expense ratio decreased. Other expense items formed less definite trends. (See table 15, page 26).

Table 6. - Operating Results of Jewellery Stores
(with 1944 percentages for comparison)

Item	1945		1944
	Incorporated (33 stores) Percentage of net sales	Unincorporated (339 stores) Percentage of net sales	Unincorporated (136 stores) Percentage of net sales
	%	%	%
Average net sales	100.0	100.0	100.0
Gross trading profit	39.8	38.6	41.3
Operating expenses:			
Employees' salaries	14.4	9.7	10.4
Advertising	2.5	1.5	1.4
Store supplies	1.1	1.2 } 9.4	9.4
Bad debts	0.1	0.1 }	
Occupancy expenses	5.3	5.2 }	
All other expenses	3.0	2.9 }	
Total operating expenses	26.4	20.6	21.2
Net profits before deduction of proprietors' salaries and income tax	13.4	18.0	20.1

Tobacco Stores

1. In 1945, tobacco stores on the average operated on a narrower gross margin than in 1944; 15.9 per cent and 17.3 per cent respectively. Expenses were less in 1945 but did not offset the smaller gross profit. The net profit before deduction of proprietors' salaries and income taxes was smaller than in the previous year; 8.0 per cent in 1945 and 8.6 per cent in 1944. (See table 7.)

2. Gross and net profit ratios were irregular over the different size of business ranges. Although employees' salaries increased in percentage of net sales with volume of sales, rent expense decreased and total expenses showed little change. The average dollar value of net earnings per store increased with sales volume. (See table 16, page 28).

Table 7. - Operating Results of Tobacco Stores (with 1944 percentages for comparison)

Item	1945 (322 stores)		1944 (188 stores)
	Average dollar figures	Percentage of net sales	Percentage of net sales
	$	%	%
Average net sales	26,068	100.0	100.0
Gross trading profit	4,135	15.9	17.3
Operating expenses:			
Employees' salaries	755	2.9	3.1
Advertising	23	0.1	(a)
Store supplies	89	0.3	
Bad debts	10	(a)	
Occupancy expenses	929	3.6 } 4.9	5.6
All other expenses	247	1.0	
Total operating expenses	2,053	7.9	8.7
Net profits before deduction of proprietors' salaries and income tax	2,082	8.0	8.6

(a) Less than 0.05 per cent.

GENERAL DISCUSSION AND TABLES

Restaurants With Little or No Merchandise

Most restaurants sell merchandise such as tobacco and candy in certain quantities while some carry on a more extensive retail business. To remain in this classification, the sale of merchandise must not form more than 20 per cent of total sales.

Usable reports were received from 445 independent unincorporated restaurants. When classified by size of business and occupancy basis, there were too few owned restaurants with sales less than $10,000 and with sales over $100,000 to allow publication of results.

Trends by Size of Business (See table 8, page 12)

Gross margin ratios in rented establishments dropped from 37.0 per cent of net receipts in the smallest size class to 32.7 per cent in the next larger category. From the 32.7 per cent ratio of restaurants with business volume between $10,000-$19,999, the the trend was upward as business volume increased. Owned restaurants showed little change in gross margin for the different size classes shown. Increasing ratios of expenses in the larger restaurants, reflecting the greater salary cost common to this kind of business, resulted in smaller ratics of net profit.

The actual dollar value of net earnings increased with sales volume. In making comparisons with this average figure, account should be taken of the number of proprietors engaged in the business with relation to the number of establishments. Salaries showed a considerable increase in the larger businesses while the ratio of rent expense decreased. Light, heat and power appeared as a greater item of expense in restaurants than in other kinds of business and decreased in ratio as volume of business expanded. Inventories and rate of stock turnover were of lesser significance in restaurants than in most other kinds of business.

Table 8 — Restaurants — Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	Less than $10,000 Owned	Less than $10,000 Rented	$10,000-$19,999 Owned	$10,000-$19,999 Rented	$20,000-$49,999 Owned	$20,000-$49,999 Rented	$50,000-$99,999 Owned	$50,000-$99,999 Rented	$100,000 and Over Owned	$100,000 and Over Rented
Number of establishments reporting		24	15	67	33	162	12	86		[illegible]
Average net receipts $		6,895	15,572	[illegible]	[illegible]	34,481	[illegible]	[illegible]		[illegible]
Average inventory beginning of year $		109	307	264	996	700	1,417	1,219		1,632
Average inventory end of year $		107	297	271	899	735	1,457	1,330		[illegible]
Average cost of goods sold $		4,343	10,531	9,653	21,222	22,179	43,595	42,578		91,177
Stock turnover (times per year)		40.2	34.9	36.1	22.4	30.9	30.4	33.4		31.1
Number of working proprietors	SAMPLE	26	21	87	57	283	25	184	SAMPLE	91
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross trading profit		37.0	32.4	32.7	32.3	35.6	33.0	37.8		39.5
Operating expenses:										
Employees' salaries and wages		5.6	8.8	10.4	13.4	15.2	15.1	18.3		21.0
Advertising		0.1	0.2	0.1	0.1	0.2	0.3	0.2		0.3
Store supplies		1.0	0.9	1.1	1.1	1.0	1.5	1.1		0.9
Bad debts		(a)	0.1	(a)	(a)	(a)	-	(a)		(a)
Taxes and insurance		1.2	1.3	0.6	0.9	0.6	0.9	0.7		0.6
Rent	TOO	6.8	-	3.2	-	2.7	-	2.6	TOO	2.1
Light, heat and power		4.3	2.8	2.6	2.7	2.2	2.2	2.0		1.6
Repairs and maintenance		1.2	1.3	0.9	1.4	1.2	1.4	1.2		1.5
Depreciation		1.0	1.4	0.8	1.2	1.0	1.4	1.1		1.1
All other expenses		2.6	2.7	1.6	2.6	1.9	2.6	2.4		3.0
Total operating expenses		23.8	19.5	21.3	23.4	26.0	25.4	29.6		32.1
Net profits before deduction of proprietors' salaries and income tax		13.2	12.9	11.4	8.9	9.6	7.6	8.2		7.4
Average net earnings $	SMALL	911	2,013	1,633	2,775	3,296	4,968	5,654	SMALL	11,183
Average customers' accounts outstanding $		-	21	14	49	7	-	5		17

(a) Less than 0.05 per cent.

Restaurants With Merchandise

Restaurants falling within this classification are those whose merchandise sales form 20 per cent to 50 per cent of total receipts. The sale of tobacco products is, on the average, the largest item in merchandise sales. Other commodities sold are confectionery, soft drinks and groceries.

A total of 196 reports were received from independent unincorporated restaurants in this classification. When classified by size of business and occupancy basis there were too few restaurants with sales over $100,000 to allow publication of their results. Returns from owned establishments with sales less than $10,000 and between $50,000 and $99,999 were also too few for publication.

Trends by Size of Business (See table 9, page 14)

Owned restaurants are shown for only two size ranges. Gross profits in rented establishments dropped from 30.6 per cent in the smallest size class to 29.4 per cent in the next larger size. From the latter range it increased proportionately with sales volume. Due to a high ratio of salary expense in the larger restaurants, the increased gross profits were offset by increased expenses to result in a ratio of net profits decreasing with volume of business.

Because of the varying proportions and types of merchandise handled, stock turnover was irregular. Receipts from the sale of merchandise decreased from 43.1 per cent of total net receipts in the smallest size restaurant to 33.2 per cent in the largest.

Table [illegible] - [illegible] - [illegible] Classified According to Amount of Annual Sales and Occupancy [illegible] 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than $11,000		$11,000-$29,999		$30,000-$49,999		$50,000-$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of establishments reporting		11	17	43	13	60		16
Average net receipts .... $		7,845	14,663	14,577	29,900	31,748		69,044
Average inventory beginning of year ... $		328	926	486	1,293	955		2,476
Average inventory end of year .... $		383	975	508	1,418	940		2,565
Average cost of goods sold .... $		5,446	11,165	10,297	21,230	22,048		46,049
Stock turnover (times per year)		15.3	11.7	20.7	15.7	22.6		18.3
Number of working proprietors	SAMPLE	11	23	54	23	120	SAMPLE	45
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit		30.6	23.8	29.4	29.0	30.5		33.3
Operating expenses:								
Employees' salaries and wages		4.9	5.9	7.1	10.8	11.5		13.9
Advertising		0.1	0.1	0.2	0.1	0.2		0.2
Store supplies		1.3	0.8	1.0	0.8	0.8		0.8
Bad debts		0.2	(a)	(a)	(a)	(a)		(a)
Taxes and insurance		0.7	1.3	0.8	1.0	0.6		0.6
Rent	TOO	4.3	-	2.9	-	2.1	TOO	2.4
Light, heat and power		3.1	2.7	2.4	2.1	1.9		1.9
Repairs and maintenance		0.5	1.3	1.3	1.3	1.1		1.6
Depreciation		0.9	1.6	0.9	1.0	1.0		0.9
All other expenses		1.8	1.6	1.5	1.4	1.8		2.1
Total operating expenses		17.8	15.3	18.1	18.5	21.0		24.4
Net profits before deduction of proprietors' salaries and income tax		12.8	8.5	11.3	10.5	9.5		8.9
Average net earnings .... $	SMALL	1,001	1,253	1,642	3,133	3,024	SMALL	6,135
Average customers' accounts outstanding $		18	20	1	31	25		41
Merchandise sales (% of net receipts) ...		43.1	40.9	32.9	38.1	36.6		33.2

(a) Less than 0.05 per cent.

Coal and Wood Distributors

While the name of this classification indicates that wood is handled, dealers selling wood exclusively are not included. Ice and fuel oil are also handled but the sale of coal forms the major proportion of the businesses included in this section of the report. A total of 249 usable returns were received from independent unincorporated distributors and 64 from incorporated firms.

Although there was a certain amount of irregularity in reporting delivery costs, an attempt has been made to distribute it over salaries, store supplies (gas and oil), repairs and maintenance and depreciation (of trucks). Irregular amounts of rent reported, such as leased sidings only; partly owned and partly rented premises; etc, tend toward an unknown margin of error in this item.

Trends by Size of Business - Unincorporated (See table 10, page 17)

Gross margins were irregular in trend over the five size of business ranges shown. An irregularity in total expenses matching the irregular gross margin resulted in a net profit trend of decreasing ratio with expanding sales volume. Because of increased business volume, however, this smaller ratio in the larger businesses meant greater dollar value net earnings.

Salaries, as a percentage of net sales, increased with business volume, while the ratio of rent expense, although smaller than in other businesses, decreased. Stocks on hand were less at the end of the year than at the beginning with no definite trend in rate of turnover.

Comparison with Previous Years - Unincorporated (See Chart 1, page 16)

A survey on operating costs in coal and wood yards was taken in 1944 and in 1941. The number of firms reporting information for 1941 was small and the results for that year may be out of line for that reason. In general, gross profits decreased from 1941 to 1945 in rented businesses while in owned, there was an increase in the two largest size ranges. Other items of expense and net profit were irregular in trend for the three years.

Comparison of Incorporated and Unincorporated Firms (See table 11, page 18)

Reports received from 64 incorporated firms came within the two largest size ranges and were divided between owned and rented premises. Comparison with the same size and occupancy category of unincorporated firms is shown in table 11.

Incorporated firms obtained wider margins than unincorporated. With salaries paid to firm members of incorporated firms included in the expense item of salaries and wages, this item was greater than in unincorporated firms. Net profits are not comparable because unincorporated firms included proprietors' salaries. Stocks on hand at the end of the year were less than at the beginning in every class. The rate of stock turnover was irregular over the different categories shown.

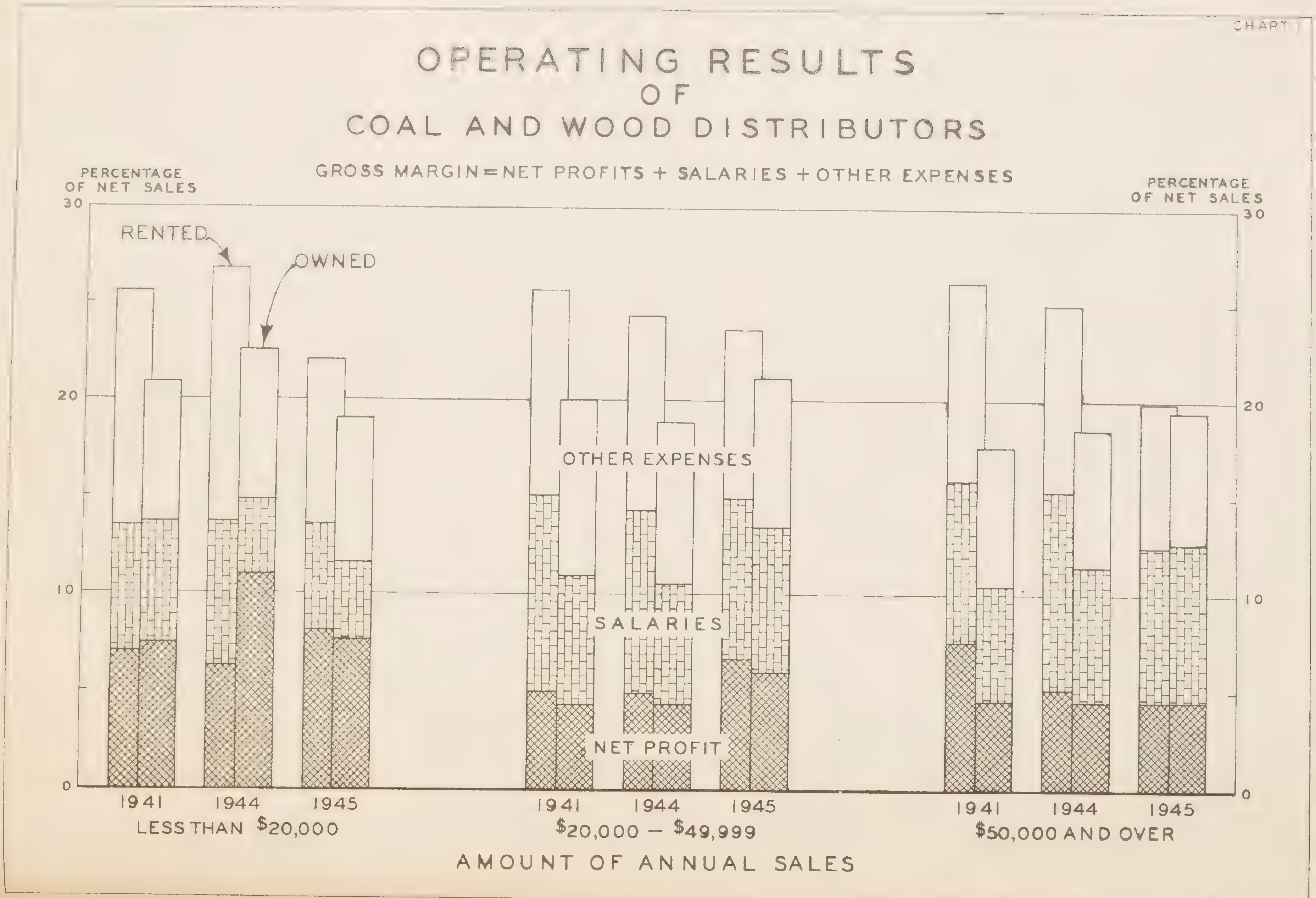
CHART
OPERATING RESULTS
OF
COAL AND WOOD DISTRIBUTORS
GROSS MARGIN = NET PROFITS + SALARIES + OTHER EXPENSES
PERCENTAGE OF NET SALES
RENTED
OWNED
OTHER EXPENSES
SALARIES
NET PROFIT
0
10
20
30
1941
1944
1945
LESS THAN $20,000
$20,000 – $49,999
$50,000 AND OVER
AMOUNT OF ANNUAL SALES

Table 10.--Coal and Wood Distributors - Operating Results of Unincorporated Distributors Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES							
	$10,000-$19,999		$20,000-$49,999		$50,000-$99,999		$100,000 and Over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of distributors reporting	17	19	50	40	29	33	28	24
Average net sales $	15,380	15,594	34,371	32,025	76,356	73,261	151,865	146,110
Average inventory beginning of year $	702	468	1,593	1,387	3,637	2,797	9,152	4,798
Average inventory end of year $	520	321	1,298	1,325	3,043	2,584	7,719	4,473
Average cost of goods sold $	12,490	12,142	27,073	24,445	61,492	58,498	122,499	117,385
Stock turnover (times per year)	20.4	30.8	18.7	18.0	18.4	21.7	14.5	25.3
Number of working proprietors	18	19	60	48	36	42	36	39
	PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)							
Gross trading profit	18.8	22.1	21.2	23.7	19.5	20.2	19.3	19.7
Operating expenses:								
Employees' salaries and wages	4.2	5.8	7.5	8.2	7.5	7.9	8.5	8.1
Advertising	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
Store supplies	2.3	2.6	2.4	2.1	1.8	2.0	1.8	1.7
Bad debts	0.1	0.2	0.1	0.2	0.1	0.2	0.2	0.2
Taxes and insurance	1.4	0.9	0.9	1.1	0.8	0.7	0.7	0.5
Rent	-	1.1	-	0.9	-	0.7	-	0.5
Light, heat and power	0.2	0.4	0.3	0.3	0.2	0.2	0.2	0.1
Repairs and maintenance	1.1	1.1	1.2	1.4	1.1	1.0	1.2	0.9
Depreciation	0.6	0.6	1.0	0.8	0.7	0.5	0.8	0.5
All other expenses	1.6	1.3	1.6	1.8	1.6	2.3	1.6	2.5
Total operating expenses	11.7	14.2	15.2	17.0	14.0	15.7	15.3	15.2
Net profits before deduction of proprietors' salaries and income tax	7.1	7.9	6.0	6.7	5.5	4.5	4.0	4.5
Average net earnings $	1,096	1,235	2,055	2,140	4,171	3,269	6,149	6,570
Average customers' accounts outstanding $	507	560	2,022	1,921	3,539	6,590	9,442	12,266

[illegible] Results of Unincorporated and [illegible] Distributors [illegible]

Item	$50,000 - $99,999				$100,000 and Over			
	Owned		Rented		Owned		Rented	
	Unincorporated	Incorporated	Unincorporated	Incorporated	Unincorporated	Incorporated	Unincorporated	Incorporated
Number of distributors reporting	[illegible]	16	[illegible]	10	[illegible]	[illegible]	[illegible]	[illegible]
Average net sales $	[illegible]	76,986	[illegible]	[illegible]	[illegible]	[illegible]	146,110	[illegible]
Average inventory beginning of year $	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4,998	[illegible]
Average inventory end of year $	[illegible]	3,170	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average cost of goods sold $	[illegible]	60,300	[illegible]	[illegible]	[illegible]	[illegible]	117,365	[illegible]
Stock turnover (times per year)	[illegible]	16.3	21.7	[illegible]	[illegible]	[illegible]	[illegible]	12.7
Number of working proprietors	36	-	42	-	36	-	39	-

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	Owned Unincorporated	Owned Incorporated	Rented Unincorporated	Rented Incorporated	Owned Unincorporated	Owned Incorporated	Rented Unincorporated	Rented Incorporated
Gross trading profit	19.5	21.7	20.2	22.5	19.3	20.1	19.7	20.0
Operating expenses:								
Employees' salaries and wages	7.5	11.0	7.9	11.9	8.5	11.3	8.1	10.3
Advertising	0.2	0.4	0.2	0.3	0.3	0.3	0.2	0.4
Store supplies	1.8	1.7	2.0	2.6	1.8	1.8	1.7	1.4
Bad debts	0.1	0.1	0.2	0.2	0.2	0.1	0.2	0.1
Taxes and insurance	0.8	0.9	0.7	0.8	0.7	0.8	0.5	0.7
Rent	-	-	0.7	0.6	-	-	0.5	0.5
Light, heat and power	0.2	0.1	0.2	0.1	0.2	0.1	0.1	0.1
Repairs and maintenance	1.1	1.2	1.0	1.5	1.2	1.0	0.9	1.7
Depreciation	0.7	0.9	0.5	1.2	0.8	0.7	0.5	0.9
All other expenses	1.6	3.2	2.3	1.5	1.6	2.1	2.5	2.1
Total operating expenses	14.0	19.5	15.7	20.7	15.3	18.2	15.2	18.2
Net profits before deduction of proprietors' salaries and income tax (1)	5.5	2.2	4.5	1.8	4.0	1.9	4.5	1.8
Average customers' accounts outstanding $	3,539	6,606	6,590	5,624	9,442	15,015	12,266	25,228

(1) Salaries paid to all firm members of incorporated firms included in employees' salaries.

Drug Stores Without Fountain

Drug stores were separated as between those not operating and those operating a soda fountain. Usable reports were received from 546 unincorporated and 46 incorporated drug stores not operating a soda fountain. When classified by size of business and occupancy basis all groups of unincorporated stores can be shown except owned stores with annual sales of over $100,000. Incorporated stores fall within the rented category in the three largest size ranges. Comparable information for previous years is not available.

Trends by Size of Business - Unincorporated (See table 12, page 20)

Gross profits in owned and rented stores were irregular in trend. The ratio to net sales decreased from the smallest size store to the middle size ranges, then increased to record the highest ratio in the largest size class. Total expenses increased in ratio to net sales in proportion with volume of business and resulted in a general decline in ratio of net profit in the larger stores. The salary ratio increased consistently with sales volume while the rent expense ratio decreased.

Stocks of merchandise on hand at the end of the year were greater than at the beginning in every size and occupancy class shown. The rate of stock turnover increased with sales volume; owned stores ranging from 2.4 times per year to 4.3 times and rented stores from 1.7 times to 4.7 times.

Comparison Between Unincorporated and Incorporated Stores (See table 13, page 21)

In table 13, a comparison of three size groups of rented stores is made between unincorporated and incorporated firms. Incorporated firms operated on wider gross margins in each size range. Like unincorporated drug stores, stocks were higher at the end of the year than at the beginning. Stock turnover rate, however, decreased with greater volume of sales in incorporated stores as compared to unincorporated stores where the rate increased. Net profit ratios increased considerably with sales volume in incorporated drug stores.

The expense item of employees' salaries and wages includes salaries paid to all firm members and is therefore somewhat larger than the same item in unincorporated stores. The net profit ratios are not directly comparable in that part of unincorporated store profits must go toward proprietors' salaries.

Table 1[illegible]. — Drug Stores without Soda Fountain — Operating Results of Unincorporated Stores Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1945

Item	AMOUNT OF ANNUAL SALES									
	Less than $10,000		$10,000-$19,999		$20,000-$49,999		$50,000-$99,999		$100,000 and Over	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	17	12	59	73	66	218	19	75		8
Average net sales per store $	7,387	7,891	15,053	15,151	29,607	33,248	64,189	66,184		142,985
Average inventory beginning of year $	2,172	3,165	3,846	3,844	6,138	6,169	10,248	11,233		21,112
Average inventory end of year $	2,276	3,326	4,036	4,100	6,587	6,550	11,154	12,003		21,717
Average cost of goods sold, per store $	5,427	5,660	11,185	10,974	21,702	24,544	46,229	47,515		101,597
Stock turnover (times per year)	2.4	1.7	2.8	2.8	3.4	3.9	4.3	4.1	SAMPLE	4.7
Number of working proprietors	17	12	63	73	66	232	21	89		10
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross trading profit	26.5	28.3	25.7	27.6	26.7	26.2	28.0	28.2		28.9
Operating expenses:										
Employees' salaries and wages	1.9	3.1	3.2	4.5	6.0	6.5	7.9	8.4		11.1
Advertising	0.3	0.3	0.5	0.5	0.5	0.6	0.5	0.7		1.1
Store supplies	0.6	0.9	0.6	0.6	0.6	0.6	0.5	0.7		0.8
Bad debts	0.1	0.1	0.2	0.1	0.1	0.1	0.1	(a)		(a)
Taxes and insurance	1.5	0.9	1.4	0.9	1.1	0.7	0.9	0.5	TOO	0.5
Rent	-	3.3	-	2.7	-	2.1	-	2.1		1.8
Light, heat and power	2.0	1.0	1.3	1.0	0.9	0.6	0.6	0.4		0.2
Repairs and maintenance	0.6	0.3	0.7	0.5	0.6	0.4	0.5	0.3		0.3
Depreciation	1.1	0.3	0.9	0.4	0.6	0.4	0.6	0.4		0.4
All other expenses	1.5	2.2	2.1	1.8	1.8	1.7	2.3	1.6		2.0
Total operating expenses	9.6	12.4	10.9	13.0	12.2	13.7	13.9	15.1		18.2
Net profits before deduction of proprietors' salaries and income tax	16.9	15.9	14.8	14.6	14.5	12.5	14.1	13.1		10.7
Average net earnings per store $	1,251	1,252	2,232	2,215	4,290	4,143	9,027	8,687	SMALL	15,331
Average customers' accounts outstanding $	117	75	155	210	460	334	637	840		4,176

(a) Less than 0.05 per cent.

Table 13.--Drug Stores without Soda Fountain - Operating Results of Unincorporated and Incorporated Stores Compared, 1945

Item	AMOUNT OF ANNUAL SALES					
	$20,000 - $49,999		$50,000 - $99,999		$100,000 and Over	
	Unincorporated	Incorporated	Unincorporated	Incorporated	Unincorporated	Incorporated
Number of stores reporting	218	14	73	23	8	9
Average net sales per store $	33,248	35,055	66,184	69,256	142,985	168,983
Average inventory beginning of year $	6,169	6,521	11,233	14,526	21,112	34,714
Average inventory end of year $	6,550	7,670	12,003	15,097	21,717	36,773
Average cost of goods sold, per store $	24,544	25,049	47,515	47,309	101,597	104,900
Stock turnover (times per year)	3.9	3.5	4.1	3.2	4.7	2.9
Number of working proprietors	232	-	89	-	10	-
	PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)					
Gross trading profit	26.2	28.5	28.2	31.7	28.9	37.9
Operating expenses:						
Employees' salaries and wages	6.5	14.5	8.4	13.8	11.1	15.2
Advertising	0.6	0.5	0.7	0.9	1.1	1.2
Store supplies	0.6	0.8	0.7	0.5	0.8	1.2
Bad debts	0.1	(a)	(a)	0.1	(a)	0.1
Taxes and insurance	0.7	0.7	0.5	0.7	0.5	0.7
Rent	2.1	2.9	2.1	2.8	1.8	3.0
Light, heat and power	0.6	0.7	0.4	0.5	0.2	0.5
Repairs and maintenance	0.4	0.6	0.3	0.3	0.3	0.6
Depreciation	0.4	0.5	0.4	0.4	0.4	0.5
All other expenses	1.7	2.0	1.6	2.2	2.0	1.9
Total operating expenses	13.7	23.2	15.1	22.2	18.2	24.9
Net profits before deduction of proprietors' salaries and income tax (1)	12.5	5.3	13.1	9.5	10.7	13.0
Average customers' accounts outstanding $	334	846	840	1,240	4,176	4,247

(a) Less than 0.05 per cent.
(1) Salaries paid to all firm members of incorporated firms included in employees' salaries.

Drug Stores With Soda Fountain

Reports were received from 214 independent unincorporated drug stores in this classification. When classified by size of business and between owned and rented stores there were too few stores in the classes under $10,000 annual net sales, over $100,000 annual net sales, and owned stores with sales between $10,000 and $19,999 to allow presentation of results.

Trends by Size of Business (See table 14, page 23)

For the groups shown, gross profit ratios increased proportionately with volume of sales. Net profit ratios in rented stores decreased with sales volume while the two size ranges of owned stores showed similar net profit ratios. Reflecting increased ratios of salary expense, total expenses formed a greater percentage of net sales in the larger stores.

Like unincorporated drug stores without fountain, stocks on hand were greater at the end of the year than at the beginning and the rate of stock turnover increased with sales volume. The ratio of soda fountain receipts was greater in the larger stores.

Table 14.--Drug Stores With Soda Fountain - Operating Results of Unincorporated Stores Classified According to Amount of Annual Sales and Occupancy Basis, 1945

Item	AMOUNT OF ANNUAL SALES					
	$10,000 - $19,999		$20,000 - $49,999		$50,000 - $99,999	
	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting		12	24	97	11	56
Average net sales per store .... $		16,657	29,024	33,619	71,211	58,916
Average inventory beginning of year ... $		3,407	4,887	5,351	9,615	7,653
Average inventory end of year .... $		3,647	5,184	5,775	9,990	8,167
Average cost of goods sold, per store . $		12,615	21,998	25,422	52,111	43,722
Stock turnover (times per year)	SAMPLE	3.6	4.4	4.6	5.3	5.5
Number of working proprietors		12	24	97	11	56
	PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)					
Gross trading profit		24.3	24.2	24.4	26.8	25.8
Operating expenses:						
Employees' salaries and wages		3.4	5.7	5.8	9.5	8.8
Advertising		0.4	0.4	0.4	0.4	0.8
Store supplies		0.7	0.5	0.6	0.5	0.7
Bad debts		0.1	0.1	0.1	0.1	0.1
Taxes and insurance	TOO	1.1	1.1	0.6	0.7	0.6
Rent		2.5	-	2.1	-	2.0
Light, heat and power		1.3	1.1	0.9	0.7	0.7
Repairs and maintenance		0.4	0.5	0.5	0.6	0.5
Depreciation		0.6	1.4	0.6	0.8	0.6
All other expenses		1.5	1.6	1.6	1.6	1.7
Total operating expenses		12.0	12.4	13.2	14.9	16.5
Net profits before deduction of proprietors' salaries and income tax		12.3	11.8	11.2	11.9	9.3
Average net earnings per store .... $	SMALL	2,045	3,417	3,777	8,499	5,458
Average customers' accounts outstanding $		125	344	295	459	524
Soda fountain receipts (% of net sales) .		18.2	25.2	20.5	28.8	23.7

Jewellery Stores

Usable reports were received from 339 independent unincorporated and from 33 incorporated jewellery stores. When classified by size of business and between owned and rented stores all rented classes could be shown but there were only sufficient unincorporated owned stores to allow publication of two size ranges. Incorporated firms reporting came within the two largest size ranges in the rented category and their results are only shown in total in table 6, page 9.

Trends by Size of Business - Unincorporated
(See table 15, page 26)

With the results of owned stores shown only in two sizes of business no definite trends can be pictured. Gross profit ratios in rented stores followed the irregular trend of decreasing from the smallest size class to the middle size range, then increasing to a high ratio in the largest stores. Increased percentages of salaries and advertising in the larger stores were reflected in total expenses to result in diminishing net profits except in the largest group where a slight increase was reported. This smaller ratio of net profit measured in dollar value gave the proprietors of the larger stores greater net earnings because of the greater volume of sales.

Inventories showed considerable gain at the end of the year over the beginning of the year. The rate of stock turnover rose from 1.4 times per year in the smallest store to 2.7 times in the largest.

Comparison With Previous Years - Unincorporated
(See chart 2, page 25)

A survey on operating results of jewellery stores was taken for the years 1944 and 1941. Information for 1941 on owned stores with annual sales over $100,000 is not available. In general, net profits increased from 1941 to 1944 but decreased from the latter year in 1945. Gross profits decreased from 1941 to 1945.

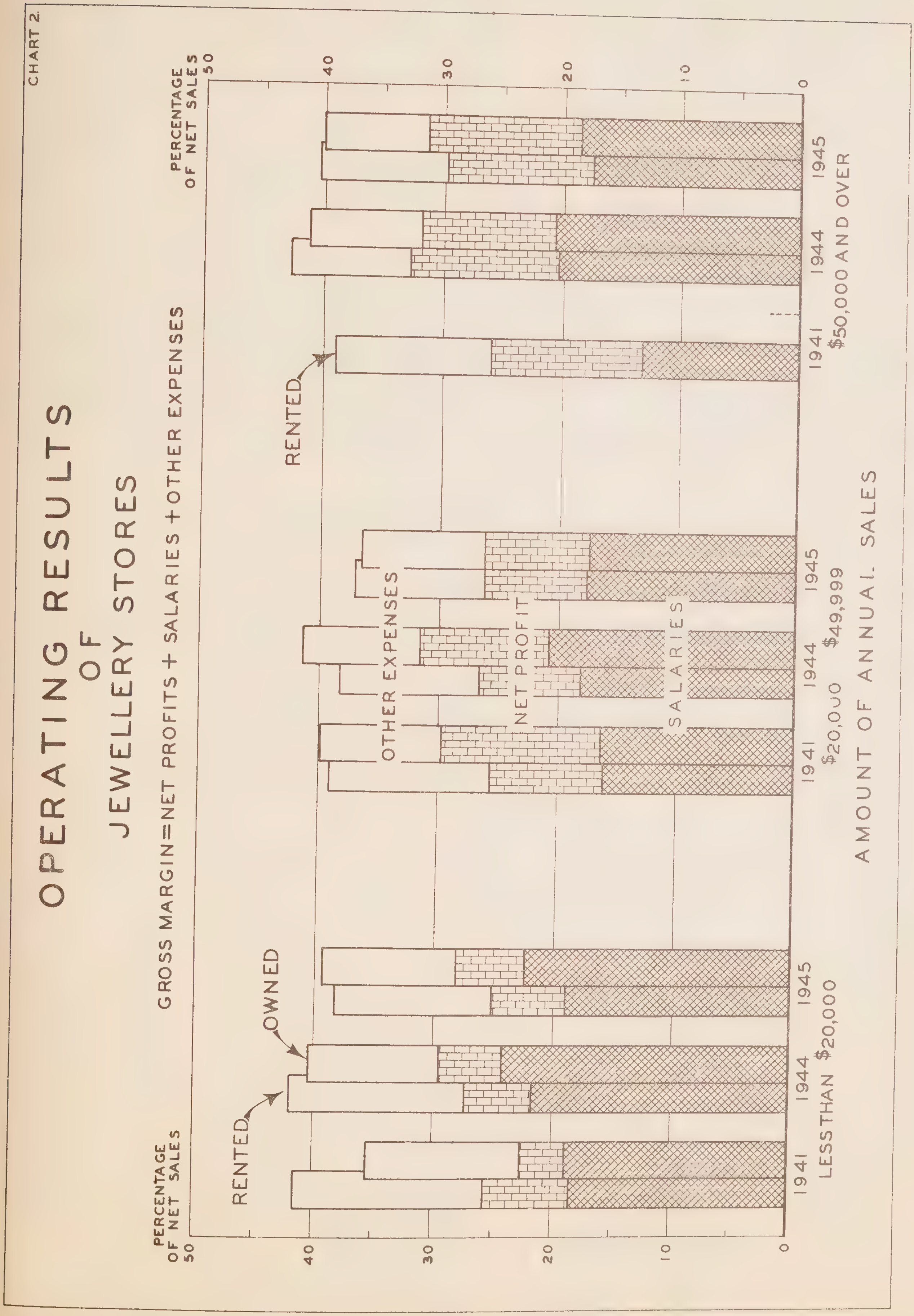
CHART 2
OPERATING RESULTS
OF
JEWELLERY STORES
GROSS MARGIN=NET PROFITS + SALARIES + OTHER EXPENSES
PERCENTAGE OF NET SALES
50
40
30
20
10
0
RENTED
OWNED
RENTED
OTHER EXPENSES
NET PROFIT
SALARIES
1941
1944
1945
LESSTHAN $20,000
$20,000 $49,999
$50,000 AND OVER
AMOUNT OF ANNUAL SALES

Table 1[illegible].--Jewellery Stores - Operating Results of Unincorporated Stores Classified According to Amount of Annual Sales and Occupancy Basis, 1945

Item	Less than $10,000 Owned	Less than $10,000 Rented	$10,000-$19,999 Owned	$10,000-$19,999 Rented	$20,000-$49,999 Owned	$20,000-$49,999 Rented	$50,000-$99,999 Owned	$50,000-$99,999 Rented	$100,000 and Over Owned	$100,000 and Over Rented
Number of stores reporting		32	19	77	22	134		29		18
Average net sales per store ... $		6,737	14,149	15,127	32,416	31,388		71,203		135,657
Average inventory beginning of year ... $		3,601	4,619	5,207	7,498	8,124		17,058		22,837
Average inventory end of year ... $		3,2[illegible]	5,276	6,119	8,939	10,148		20,906		31,537
Average cost of goods sold, per store ... $		4,085	8,452	9,371	20,554	19,753		43,535		78,085
Stock turnover (times per year) ...	SAMPLE	1.4	1.8	1.7	2.5	2.2	SAMPLE	2.3	SAMPLE	2.7
Number of working proprietors ...		33	20	80	25	156		40		16

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	Less than $10,000 Owned	Less than $10,000 Rented	$10,000-$19,999 Owned	$10,000-$19,999 Rented	$20,000-$49,999 Owned	$20,000-$49,999 Rented	$50,000-$99,999 Owned	$50,000-$99,999 Rented	$100,000 and Over Owned	$100,000 and Over Rented
Gross trading profit ...		39.3	39.8	38.0	36.6	37.1		38.8		42.5
Operating expenses:										
Employees' salaries and wages ...		3.2	6.6	6.8	8.8	8.6		10.6		14.1
Advertising ...		0.9	1.1	1.0	1.0	1.4		1.6		2.2
Store supplies ...		1.3	0.7	1.4	0.9	1.1		1.3		1.1
Bad debts ...		0.2	0.1	0.1	0.2	0.1		0.1		0.2
Taxes and insurance ...	TOO	1.3	2.2	1.2	1.5	0.7	TOO	0.7	TOO	0.9
Rent ...		4.2	-	3.7	-	2.6		2.9		2.6
Light, heat and power ...		1.1	1.3	1.0	1.1	0.6		0.6		0.5
Repairs and maintenance ...		0.5	0.8	0.6	1.1	0.5		0.5		0.4
Depreciation ...		1.1	1.6	0.7	0.9	0.5		0.6		0.3
All other expenses ...		3.3	3.4	3.1	3.6	3.1		2.6		2.2
Total operating expenses ...		17.1	17.8	19.6	19.1	19.4		21.5		24.5
Net profits before deduction of proprietors' salaries and income tax ...		22.2	22.0	18.4	17.5	17.7		17.3		18.0
Average net earnings per store ... $	SMALL	1,497	3,098	2,787	5,664	5,557	SMALL	12,302	SMALL	24,369
Average customers' accounts outstanding $		78	213	367	979	783		2,205		4,157

Tobacco Stores

A store must sell more than 50 per cent tobacco and smokers' sundries to be classified as a tobacco store. Other merchandise sold includes magazines, newspapers, confectionery and novelties. Usable reports were received from 322 independent unincorporated stores. When classified by size of business and occupancy basis there were too few stores in the owned category with sales between $50,000 and $99,999 and in the size range of over $100,000 annual sales to allow publication of results. Comparable information for previous years is not available.

Trends by Size of Business (See table 16, page 28)

Gross profits and net profits, expressed as percentages of net sales, followed no definite trend in relation to volume of sales. Salary ratio increased with sales volume while the ratio of rent expense decreased. The other expense items showed little change.

Stocks on hand at the end of the year were greater than at the beginning in each category shown. The rate of stock turnover followed no trend with change in size of business but fluctuated between 10.5 times per year and 15.7 times.

Table 16.--Tobacco Stores - Operating Results of Unincorporated Stores Classified According to Amount of Annual Sales and Occupancy Basis, 1945

Item	AMOUNT OF ANNUAL SALES							
	Less than $10,000		$10,000-$19,999		$20,000-$49,999		$50,000-$99,999	
	Owned	Rented	Owned	Rented	Owned	Rented	Owned	Rented
Number of stores reporting	14	20	26	91	27	114		27
Average net sales per store $	6,879	7,392	13,832	15,496	29,188	30,573		67,108
Average inventory beginning of year $	481	460	700	1,045	1,857	2,018		5,042
Average inventory end of year $	491	502	784	1,070	2,022	2,253		5,475
Average cost of goods sold, per store $	5,663	5,781	11,673	13,102	24,610	25,861		55,478
Stock turnover (times per year)	11.6	12.0	15.7	12.4	12.7	12.1	SAMPLE	10.5
Number of working proprietors	15	20	28	95	27	24		33
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)								
Gross trading profit	17.7	21.6	15.6	15.4	15.7	15.4		17.3
Operating expenses:								
Employees' salaries and wages	1.7	0.7	1.6	1.6	2.7	2.9		4.8
Advertising	0.1	(a)	(a)	0.1	(a)	(a)		0.1
Store supplies	0.5	0.6	0.4	0.4	0.3	0.3		0.4
Bad debts	(a)	(a)	0.1	(a)	(a)	(a)		(a)
Taxes and insurance	1.8	0.6	1.3	0.6	0.9	0.4	TOO	0.4
Rent	-	4.0	-	2.7	-	2.0		1.9
Light, heat and power	1.4	1.2	1.1	0.8	0.9	0.5		0.4
Repairs and maintenance	1.1	0.3	0.6	0.3	0.5	0.3		0.2
Depreciation	0.4	0.2	0.7	0.2	0.7	0.3		0.3
All other expenses	0.7	1.0	1.7	0.8	1.2	0.7		1.3
Total operating expenses	7.8	8.6	7.5	7.5	7.2	7.4		9.8
Net profits before deduction of proprietors' salaries and income tax	9.9	13.2	8.1	7.9	8.5	8.0		7.5
Average net earnings $	683	975	1,124	1,232	2,471	2,434	SMALL	5,051
Average customers' accounts outstanding $	24	10	1	13	30	25		149

(a) Less than 0.05 per cent.

OPERATING RESULTS
OF
MISCELLANEOUS
RETAIL STORES
1946

(Biennial)

INDEPENDENT:

RESTAURANTS

RESTAURANTS WITH MERCHANDISE

COAL AND WOOD DISTRIBUTORS

DRUG STORES WITHOUT FOUNTAIN

DRUG STORES WITH SODA FOUNTAIN

JEWELLERY STORES

TOBACCO STORES

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DEFINITIONS..................

NET SALES represent the real volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS MARGIN is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

- Salaries and wages - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit.
- Advertising
- Store supplies - used in the business during the year - wrapping paper, office supplies, gasoline and oil for delivery trucks.
- Loss on bad debts - during the year - amount written off Less debts which are recovered.
- Taxes and Insurance - business, property and water taxes, licences including truck licences, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.
- Rentals - monies paid for premises used only in the business.
- Heat, light and power expenses - amount paid for these used during the year.
- Repairs and maintenance - incurred for the purposes of keeping fixed store assets, including delivery equipment, operating efficiently.
- Depreciation - allowances to cover decreases in the value of fixed store assets, including delivery equipment.
- Occupancy expense - comprises taxes and insurance, rent, heat, light and power, repairs and maintenance, and depreciation.
- Other expenses - telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise.

DOMINION BUREAU OF STATISTICS

MERCHANDISING AND SERVICES STATISTICS

OTTAWA

Dominion Statistician, HERBERT MARSHALL
Director, Division of Census of Industry and Merchandising, W.H. Losee
Chief, Merchandising and Services Statistics, C.H. McDonald

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No. 18

16-7050

OPERATING RESULTS OF MISCELLANEOUS RETAIL STORES

INTRODUCTION

The operating results of miscellaneous kinds of business are presented in this report, which continues the series of bulletins published in 1944 and 1945. The survey is based upon operating statements contributed by a sample of independent firms throughout the country and covers restaurants with and without merchandise sales, coal and wood distributors, drug stores with and without soda fountain, jewellery stores, and tobacco stores.

Results of earlier studies are compared with those of 1946 while tables and charts clarify and facilitate understanding of the text. It is hoped that merchants, students and others will consult these reports as sources of reference and information.

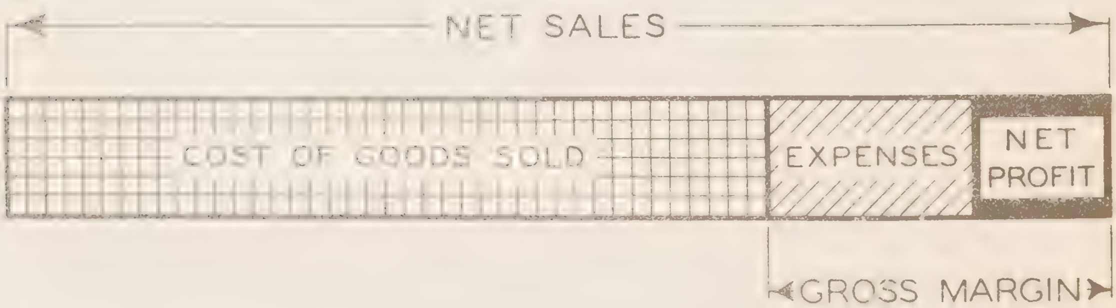
Once each year, at least, the merchant must come to grips with the problem of reviewing his operations, and calculating his expenses and profits. At the same time he may make plans for the coming months, applying his knowledge, experience, and personal observations to increase the efficiency of his business. This bulletin has been prepared for the purpose of augmenting the merchant's experience with data which describe the operations of his own type and size of business.

Our studies do not attempt to deal with such matters as store layout, advertising display, and salesmanship, which may be called methods of operation. The emphasis here is upon operating results, comparisons of profit and loss statements and their component parts.

The necessity of maintaining some orderly system of bookkeeping cannot be over-emphasized. If some method of current record keeping is not employed, it is difficult to compare individual operations with average experience as shown in this study. It is essential that the meanings of terms be checked in such comparisons. For this purpose a list of definitions has been inserted at the beginning of this bulletin.

The component parts of operating ratios are graphically portrayed in the following formula and bar chart:

NET SALES = COST OF GOODS SOLD + GROSS MARGIN



GROSS MARGIN = EXPENSES + NET PROFIT

SUMMARY..........

RESTAURANTS

1. Unincorporated restaurants realized a gross margin of 37.2 per cent of net sales in 1946, slightly wider than the 1945 ratio of 36.8. A higher salary expense in 1946 more than offset the gain in gross margin to net a profit of 8.0 per cent, as compared with 8.6 per cent in the previous year. (See Table 1, below).

2. The high points in expenses incurred, in order of importance, were salaries and wages, rent, light, heat, and power. Salaries increased considerably in ratio as the volume of business expanded while the other two items diminished in ratio in the larger restaurants. Although gross margins were more irregular in ratio over the size ranges, net profits decreased consistently with volume of business. (See Table 8, page 13).

TABLE 1. - OPERATING RESULTS OF RESTAURANTS - 1945, 1946

Item	1945	1946
Number of restaurants reporting	445	382
Average net receipts .... $	45,956	48,816
Inventory as per cent of net receipts:		
Beginning inventory	1.9	1.9
Ending inventory	2.1	2.2
Stock turnover (times per year)	31.4	30.6
Gross margin	36.8	37.2
Operating expenses:		
Employees' salaries and wages	17.1	18.2
Advertising	0.2	0.3
Store supplies	1.1	1.1
Bad debts	(a)	(a)
Occupancy expense	7.4	7.4
All other expenses	2.4	2.2
Total operating expenses	28.2	29.2
Net profits before deduction of proprietors' salaries and income tax	8.6	8.0

(Items expressed as percentages of net sales).
(a) Less than 0.05 per cent.

RESTAURANTS SELLING MERCHANDISE

1. Restaurants selling merchandise obtained better net profits on the average and operated on narrower gross margins than did restaurants which confined their activities to the serving of meals or lunches. Similar to the straight restaurant, they bettered the 1945 margin in 1946 but, due to increased salary expense, the net profit ratio obtained in 1946 was smaller than that for the previous year. (See Table 2, below).

2. In 1946, gross margins generally increased with business volume while net profits decreased in ratio. Salaries and wages followed the usual trend of increasing in ratio as volume of business expanded. (See Table 9, page 15).

3. Restaurants in this classification operating from rented premises realized wider gross margins and greater net profits than did those operating from owned premises. (See Table 9, page 15).

TABLE 2. - OPERATING RESULTS OF RESTAURANTS SELLING MERCHANDISE - 1945, 1946

Item	1945	1946
Number of restaurants reporting	196	232
Average net receipts .... $	30,708	35,581
Inventory as per cent of net receipts:		
Beginning inventory	3.4	3.1
Ending inventory	3.4	3.6
Stock turnover (times per year)	20.5	20.5
Gross margin	31.0	31.9
Operating Expenses:		
Employees' salaries and wages	11.8	12.9
Advertising	0.2	0.2
Store supplies	0.8	1.0
Bad debts	(a)	(a)
Occupancy expense	6.9	7.1
All other expenses	2.0	1.9
Total operating expenses	21.7	23.1
Net profits before deduction of proprietors' salaries and income tax	9.3	8.8

(Items expressed as percentages of net sales).
(a) Less than 0.05 per cent.

COAL AND WOOD DISTRIBUTORS

1. The average unincorporated coal and wood distributor in 1946 obtained a gross margin which was 21.1 per cent of net sales, slightly higher than the two previous years. Net profits at 5.0 per cent remained the same as 1945. Salaries and wages have increased since 1941 and in 1945 and 1946 formed over half of the total expense ratio. (See Table 3, below).

2. Both gross margins and net profits of unincorporated dealers, operating their own delivery trucks, diminished in ratio to net sales as the size of business expanded. Salaries paid to employees did not increase in ratio with business volume to the same extent as did other retail businesses. Inventories were in much greater dollar volume at the end than at the beginning of the year. (See Table 10, page 18).

3. Dealers whose delivery was on a contract basis obtained slightly narrower gross margins and net profits than those doing their own delivery. The delivery expense was 7.7 and 7.3 per cent of net sales for unincorporated and incorporated dealers respectively. This expense, contracted out to other truckers, reduced considerably the items of salaries, supplies, taxes and insurance, repairs and depreciation for those dealers not maintaining their own trucks. (See Table 11, page 19).

TABLE 3. - OPERATING RESULTS OF UNINCORPORATED COAL DISTRIBUTORS

1941, 1944, 1945, 1946

Item	1941	1944	1945	1946
Number of distributors reporting	108	168	249	239
Average net sales .... $	47,331	52,483	64,300	64,413
Inventory as per cent of net sales:				
Beginning inventory	5.4	4.2	4.5	3.9
Ending inventory	7.2	5.0	3.9	6.7
Stock turnover (times per year)	12.5	17.1	18.9	14.9
Gross margin	21.2	20.7	20.1	21.1
Operating expenses:				
Employees' salaries and wages	7.2	7.9	7.3	8.4
Advertising	0.3	0.2	0.2	0.3
Store supplies			1.9	2.2
Bad debts	8.2	7.8	0.2 } 7.0	0.1 } 7.4
Occupancy expense			3.0	3.3
All other expenses			1.9	1.8
Total operating expenses	15.7	15.9	15.1	16.1
Net profits before deduction of proprietors' salaries and income tax	5.5	4.8	5.0	5.0

(Items expressed as percentages of net sales).

DRUG STORES WITHOUT SODA FOUNTAIN

1. Higher expenses, particularly in salaries, incurred in the [illegible] reduced a gross margin of [illegible] to result in a lesser net profit. (See Table 4, below).

2. Both gross margins and net profits in unincorporated drug stores were somewhat irregular in trend over the different [illegible] kinds of retail trade, [illegible] Inventories [illegible] than at the beginning in all size and occupancy classes and the rate of stock turnover increased with the size of business. (See Table 12, page 21).

3. Incorporated firms operated on wider gross margins than did unincorporated. [illegible] included in expenses, their net profit was generally reduced below the level of unincorporated stores where proprietors' salaries are included with net profit. (See Table 13, page 22).

[illegible]

WITHOUT SODA FOUNTAIN - 1945, 1946

	1945	1946
Number of stores reporting	546	576
Average net sales $	54,288	40,373
Inventory as per cent of net sales:		
Beginning inventory	18.9	17.5
Ending inventory	20.1	19.7
Stock turnover (times per year)	[illegible]	3.9
Gross margin	[illegible]	27.2
Operating expenses:		
Employees' salaries and wages	7.0	7.8
Advertising	[illegible]	0.6
Store supplies	0.6	0.7
Bad debts	0.1	0.1
Occupancy expense	4.0	3.9
All other expenses	1.7	1.7
Total operating expenses	[illegible]	15.0
Net profits before deduction of proprietors' salaries and income tax	[illegible]	12.2

(Items expressed as percentages of net sales).

DRUG STORES WITH SODA FOUNTAIN

1. Drug stores in this classification realized a gross margin of 24.8 per cent in 1946 compared with one of 25.3 per cent in 1945. Increased salary expense was offset by an improvement in the occupancy expense ratio so that the relationship in net profit between 1946 and 1945 was relatively the same as that in gross margin. Receipts from soda fountains diminished from the 1945 ratio of 27.8 per cent of total sales to 20.3 per cent. (See Table 5, below).

2. In the two size classes tabulated, gross margins were higher in the larger category in both owned and rented stores in 1946. Higher salary cost reduced this gain to a net profit of smaller ratio in the larger size class. (See Table 14, page 23).

TABLE 5. - OPERATING RESULTS OF DRUG STORES WITH SODA FOUNTAIN - 1945, 1946

Item	1945	1946
Number of stores reporting	214	193
Average net sales $	41,818	49,408
Inventory as per cent of net sales:		
Beginning inventory	14.8	14.1
Ending inventory	15.8	15.4
Stock turnover (times per year)	4.9	5.1
Gross margin	25.3	24.8
Operating expenses:		
Employees' salaries and wages	7.5	8.1
Advertising	0.6	0.6
Store supplies	0.7	0.8
Bad debts	0.1	0.1
Occupancy expense	4.4	3.9
All other expenses	1.6	1.5
Total operating expenses	14.9	15.0
Net profits before deduction of proprietors' salaries and income tax	10.4	9.8
Fountain receipts	27.8	20.3

(Items expressed as percentages of net sales).

JEWELLERY STORES

1. In 1946 the gross margin of the average jewellery store decreased to 37.1 per cent of net sales, lower than previous years. This decline was reflected in a net profit of 16.4 per cent of net sales, lower than the preceding two years, but higher than the 15 per cent recorded in 1941. It is of interest to note here that net profits as a proportion of net sales have been higher in jewellery stores than in any other of the independent store types studied in 1945 and 1946. The inventory position has improved to the point where the stock held at the end of 1946 was 36.1 per cent of net sales, a ratio not matched since the end of 1941. (See Table 6, below).

2. While net profit ratios in unincorporated stores decreased in 1946 as the volume of business expanded, gross margins were irregular in relation to net sales over the different size groups. Salaries paid to employees increased consistently in ratio with sales volume and effected a similar trend in total expenses. (See Table 15, page 26).

3. Incorporated jewellery stores obtained wider gross margins in 1946 than did unincorporated stores. Unlike the latter, their expenses decreased in ratio and net profits increased as volume of sales expanded. Incorporated store salaries included all firm members whereas the proprietors' salaries of unincorporated stores are included with net profit. This accounts for the difference in salaries and net profit between the two types. (See Table 16, page 27).

TABLE 6. - OPERATING RESULTS OF UNINCORPORATED JEWELLERY STORES -

1941, 1944, 1945, 1946

Item	1941	1944	1945	1946
Number of stores reporting	101	136	339	344
Average net sales $	36,009	43,746	32,070	36,169
Inventory as per cent of net sales:				
Beginning inventory	32.2	23.7	25.5	27.2
Ending inventory	36.1	22.2	31.1	36.1
Stock turnover (times per year)	1.8	2.3	2.2	2.0
Gross margin	38.9	41.3	38.6	37.1
Operating expenses:				
Employees' salaries and wages	10.9	10.4	9.7	10.1
Advertising	1.8	1.4	1.5	1.6
Store supplies			1.2	1.2
Bad debts	11.2	9.4	0.1 } 9.4	0.1 } 9.0
Occupancy expense			5.2	5.0
All other expenses			2.9	2.7
Total operating expenses	23.9	21.2	20.6	20.7
Net profits before deduction of proprietors' salaries and income tax	15.0	20.1	18.0	16.4

(Items expressed as percentages of net sales).

TOBACCO STORES

1. In 1946 tobacco stores operated on reduced gross margins and net profits as compared with previous years. With larger dollar volume inventories than in the previous years, the rate of stock turnover in 1946 was smaller at 10.8 times compared with 11.7 and 11.3 times in 1945 and 1944 respectively. (See Table 7, below).

2. Gross margins in rented tobacco stores generally decreased in ratio to net sales in 1946 over the different size classes while net profits declined from 11.9 per cent to 7.6 per cent. The rate of stock turnover ranged from 13.3 times in the smallest size rented store to 9.7 times per year in the largest size. (See Table 17, page 29).

TABLE 7. - OPERATING RESULTS OF TOBACCO STORES - 1944, 1945, 1946

Item	1944	1945		1946	
Number of stores reporting	182	322		302	
Average net sales .... $	22,604	26,068		28,399	
Inventory as per cent of net sales:					
Beginning inventory	7.2	6.9		7.3	
Ending inventory	7.5	7.5		8.4	
Stock turnover (times per year)	11.3	11.7		10.8	
Gross margin	17.3	15.9		15.6	
Operating expenses:					
Employees' salaries and wages	3.1	2.9		2.9	
Advertising	(a)	0.1		0.1	
Store supplies		0.3		0.4	
Bad debts	5.6	(a)	4.9	(a)	4.7
Occupancy expense		3.6		3.5	
All other expenses		1.0		0.8	
Total operating expenses	8.7	7.9		7.7	
Net profits before deduction of proprietors' salaries and income tax	8.6	8.0		7.9	

(Items expressed as percentages of net sales).
(a) Less than 0.05 per cent.

GENERAL DISCUSSION, TABLES AND CHARTS.

1. RESTAURANTS WITH LITTLE OR NO MERCHANDISE

Some merchandise, such as tobaccos and candy, is sold in nearly every restaurant with some carrying on a more extensive retail business than others. For the purpose of this survey, restaurants are divided in two classes. Those selling less than 20 per cent merchandise are included in this classification. Restaurants selling between 20 and 50 per cent merchandise are dealt with as the next kind of business in this bulletin.

Suitable reports were received from 382 independent unincorporated restaurants. When classified by size of business and occupancy basis there were too few owned businesses in the smallest and largest size class to allow publication of results.

Trends by Size of Business (Table 8, page 13)

Gross margins were irregular in trend, ranging from 33.0 per cent to 41.6 per cent of net sales over the different size classes. Net profits decreased in ratio with volume of business but increased in dollar volume from $1,264 to $10,561. With proprietors' salaries included in net profit, the number of proprietors with relation to the number of establishments should be considered when reviewing both the ratio and dollar volume of net profit. In some size classes it will be seen that there were, on the average, more than 2 proprietors to a restaurant.

Light, heat, and power formed a greater share of total expenses than in other kinds of retail trade, decreasing in ratio with business volume. Inventories were small in this kind of business showing some increase in dollar volume at the end of the year.

Table 8.--Restaurants - Operating Results Classified According to Amount of Annual Receipts and Occupancy Basis, Canada, 1946

Item	OWNED RESTAURANTS					RENTED RESTAURANTS				
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of establishments reporting.		11	21	13		17	50	139	95	21
Average net receipts .... $		14,005	33,708	71,779		7,621	14,939	34,037	67,388	166,323
Average cost of goods sold ...... $		9,097	22,302	46,848		4,707	10,009	22,028	42,683	97,125
Average inventory beginning of year .... $	SAMPLE	276	852	1,289	SAMPLE	169	326	560	1,218	3,635
Average inventory end of year ... $		266	910	1,444		194	386	632	1,355	4,115
Stock turnover (times per year) ...		33.6	25.3	34.3		26.0	28.1	37.0	33.2	25.1
Average net profits .... $		2,001	2,570	4,778		1,264	1,513	3,215	5,229	10,561
Number of working proprietors		12	30	21		20	59	240	200	58

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Gross margin		35.0	33.8	34.7		36.2	33.0	35.3	36.7	41.6
Operating expenses:										
Employees' salaries and wages ...		8.5	16.4	19.2		6.2	12.3	15.4	18.3	23.0
Advertising		0.3	0.1	0.3		0.1	0.1	0.2	0.2	0.4
Store supplies		1.5	1.1	1.1		1.1	0.9	1.0	1.0	1.6
Bad debts		0.1	-	-		0.1	0.1	(a)	(a)	(a)
Taxes and insurance	TOO	1.3	1.1	1.1	TOO	0.9	0.6	0.6	0.6	0.7
Rent		-	-	-		5.2	3.2	2.7	2.4	2.4
Light, heat, and power		3.1	2.4	1.8		3.9	2.5	2.2	2.0	1.7
Repairs and maintenance		1.3	1.5	1.2		1.5	1.0	1.2	1.4	1.4
Depreciation		2.1	1.2	1.2		0.7	0.8	0.9	0.9	1.3
All other expenses		2.5	2.4	2.2		1.9	1.4	1.6	2.1	2.7
Total operating expenses	SMALL	20.7	26.2	28.1	SMALL	21.6	22.9	25.8	28.9	35.2
Net profits before deduction of proprietors' salaries and income tax		14.3	7.6	6.6		16.6	10.1	9.5	7.8	6.4

(a) Less than 0.05 per cent.

2. RESTAURANTS WITH MERCHANDISE

Restaurants falling within this classification are those whose merchandise sales formed 15 to 50 per cent of total receipts. Commodities sold were mainly tobacco products, confectionery, soft drinks and groceries.

A total of 232 reports suitable for tabulation were received from independent unincorporated restaurants of this type. When classified by size of business and occupancy there were too few with receipts over $100,000 and in the owned class with receipts less than $10,000 to allow publication of their results.

Trends by Size of Business (Table 9, page 15)

With the exception of rented establishments with receipts less than $10,000, gross margin ratios in 1946 increased with business volume, ranging from 27.[illegible] per cent to 33.4 per cent of net receipts. Net profit ratios diminished with expanding business.

Salaries, while smaller in proportion than for restaurants selling little merchandise, followed the usual trend of greater ratio in the larger businesses. Heat, light, and power accounted for a greater share of expenses than in most retail trades, decreasing in ratio with business expansion. Rent followed the same trend, ranging from 4.9 per cent in the smallest to 2.1 per cent in the largest size restaurant. As in the other type of restaurant, partnerships form a good share of the reporting establishments, and the number of proprietors in relation to restaurants should be kept in mind when comparing either the ratios or dollar volume of net profits.

Table 9.--Restaurants With Merchandise - Operating Results Classified According to Amount of Annual Receipts and Occupancy Basis, Canada, 1946

Item	Owned Restaurants: Under $10,000	Owned: $10,000 to $19,999	Owned: $20,000 to $49,999	Owned: $50,000 to $99,999	Owned: $100,000 and Over	Rented Restaurants: Under $10,000	Rented: $10,000 to $19,999	Rented: $20,000 to $49,999	Rented: $50,000 to $99,999	Rented: $100,000 and Over
Number of establishments reporting		18	26	9		10	45	80	33	
Average net receipts $		14,741	32,512	70,253		6,977	15,129	32,663	70,399	
Average cost of goods sold $		10,757	23,312	47,374		4,659	10,700	22,366	46,860	
Average inventory beginning of year $	SAMPLE	1,042	1,252	2,323	SAMPLE	218	604	864	1,974	SAMPLE
Average inventory end of year $		1,041	1,270	2,940		191	664	948	2,235	
Stock turnover (times per year)		10.3	18.5	18.0		22.8	16.9	24.7	22.3	
Average net profits $		1,461	2,505	3,924		1,202	1,749	3,249	5,782	
Number of working proprietors		20	41	19		11	57	130	76	
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)										
Gross margin		27.0	28.3	32.6		33.2	29.3	31.5	33.4	
Operating expenses:										
Employees' salaries and wages		5.7	11.7	17.9		3.6	6.4	11.9	14.8	
Advertising		0.1	0.2	0.3		(a)	0.2	0.2	0.3	
Store supplies		1.0	0.8	1.1		0.9	1.0	0.8	1.3	
Bad debts		(a)	(a)	(a)		0.1	0.1	0.1	0.1	
Taxes and insurance	TOO	1.2	0.9	1.4	TOO	0.9	0.7	0.5	0.7	TOO
Rent		-	-	-		4.9	3.1	2.4	2.1	
Light, heat, and power		3.1	2.3	2.0		3.2	2.6	2.0	1.9	
Repairs and maintenance		1.7	1.6	1.3		0.5	1.2	1.1	1.3	
Depreciation		1.4	1.4	1.1		0.3	0.7	0.9	1.0	
All other expenses		2.9	1.7	1.9		1.6	1.7	1.7	1.7	
Total operating expenses	SMALL	17.1	20.6	27.0	SMALL	16.0	17.7	21.6	25.2	SMALL
Net profits before deduction of proprietors' salaries and income tax		9.9	7.7	5.6		17.2	11.6	9.9	8.2	

(a) Less than 0.05 per cent.

3. COAL AND WOOD DISTRIBUTORS

While the name of this classification indicates that wood is handled, dealers selling wood exclusively are not included. Ice and fuel oil are also sold but the sale of coal formed the major proportion of the businesses included in this study.

Reports from 272 unincorporated and 50 incorporated dealers were suitable for tabulation. Distinction was made between dealers who operated their own delivery equipment and those who contracted their delivery to outside truckers.

Trends by Size of Business - Unincorporated (Table 10, page 18)

The results of 259 unincorporated distributors maintaining their own delivery system are shown in this table. Both gross margin and net profit decreased in ratio with sales volume. The maintenance of delivery service effected salary expense to result in a fairly similar ratio in all size classes; store supplies, which included gas and oil, also registered only slight change over the different sizes of business. The other expense items reflecting delivery expense were repairs and depreciation where there was only a moderate decline in ratio as business volume increased. Inventories at the end of 1946 were considerably improved from the first of the year and the rate of stock turnover generally lessened with business volume. These results are further illustrated in Chart No. 1, page 17.

Comparison of Unincorporated and Incorporated Distributors by Type of Delivery (Table 11, page 19)

With salaries paid to all firm members included in expenses, incorporated firms showed greater salary expense and smaller net profit ratios than unincorporated businesses. No other significant difference appeared in the operating ratios of the two types in 1946. Incorporated firms were, on the average, larger and turned their stock over more often during the year.

Distributors who operated their own delivery trucks maintained a slight advantage in both gross margin and net profit. The maintenance of a delivery system effected their salaries, supplies, taxes and insurance, repairs, and depreciation. The increases in these items of expense were offset by a delivery expense of 7.7 per cent in unincorporated and 7.3 per cent in incorporated firms whose delivery was contracted.

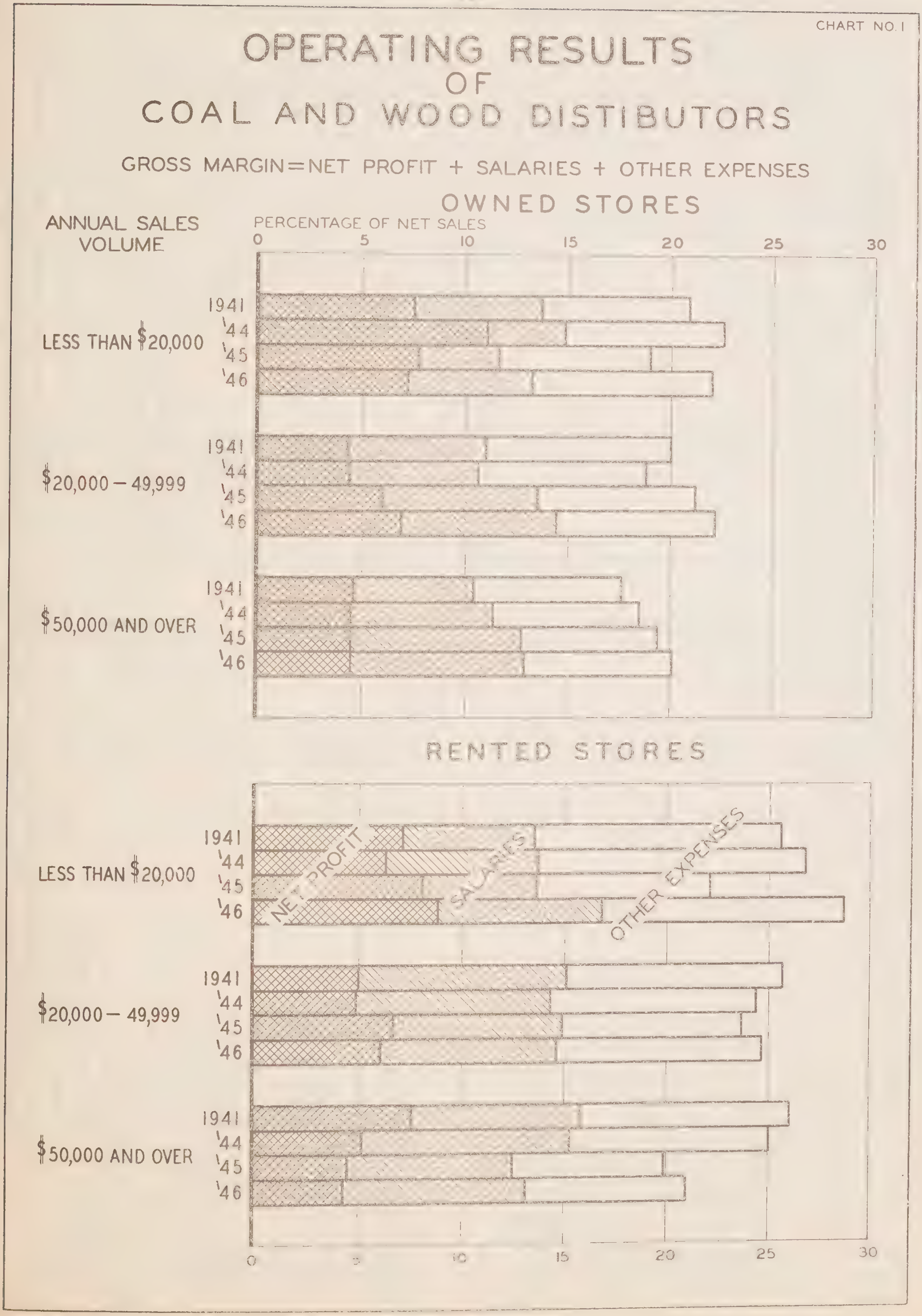


CHART NO. 1
OPERATING RESULTS
OF
COAL AND WOOD DISTIBUTORS
GROSS MARGIN = NET PROFIT + SALARIES + OTHER EXPENSES
OWNED STORES
ANNUAL SALES VOLUME
PERCENTAGE OF NET SALES
0
5
10
15
20
25
30
1941
'44
'45
'46
LESS THAN $20,000
$20,000 – 49,999
$50,000 AND OVER
RENTED STORES
NET PROFIT
SALARIES
OTHER EXPENSES

Table 10.--Coal and Wood Distributors - Operating Results of Unincorporated Distributors Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED PREMISES					RENTED PREMISES				
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of distributors reporting ..		[illegible]	62	39	[illegible]		11	[illegible]	[illegible]	16
Average net sales ..... $		16,500	35,418	71,760	172,176		14,788	32,528	71,335	[illegible]
Average cost of goods sold ..... $		[illegible]	27,539	57,108	137,923		10,595	24,497	54,874	[illegible]
Average inventory beginning of year ..... $	SAMPLE	627	[illegible]	[illegible]	7,085	SAMPLE	514	1,381	3,069	[illegible]
Average inventory end of year ... $		[illegible]	[illegible]	[illegible]	11,345		661	[illegible]	[illegible]	[illegible]
Stock turnover (times per year) ...		[illegible]	17.0	14.7	15.0		18.0	13.2	13.6	[illegible]
Average net profits ..... $		1,145	2,467	3,407	[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Number of working proprietors ...		[illegible]	78	47	[illegible]		11	[illegible]	23	[illegible]

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Gross margin		22.0	[illegible]	20.4	19.9		[illegible]	[illegible]	[illegible]	19.9
Operating expenses:										
Employees' salaries and wages ...		6.9	[illegible]	8.2	8.5		8.3	8.5	9.9	[illegible]
Advertising		0.2	[illegible]	0.3	0.3		0.3	0.2	0.3	0.3
Store supplies		2.6	2.4	2.1	2.1		2.8	2.7	2.3	1.9
Bad debts		0.1	0.2	0.2	0.1		0.1	0.1	0.2	0.2
Taxes and insurance	TOO	1.3	0.9	0.8	0.8	TOO	1.8	1.2	1.0	0.8
Rent		-	-	-	-		1.5	1.0	0.7	0.4
Light, heat, and power		0.5	0.3	0.3	0.2		0.6	0.4	0.2	0.2
Repairs and maintenance		1.2	1.3	1.2	1.2		2.0	1.7	1.2	0.8
Depreciation		1.0	1.0	0.9	0.7		0.8	0.9	0.8	0.8
All other expenses		1.2	1.5	1.7	1.6		1.7	1.9	1.9	2.2
Total operating expenses	SMALL	15.0	15.3	15.7	15.6	SMALL	19.9	18.6	18.5	15.8
Net profits before deduction of proprietors' salaries and income tax		7.0	6.9	4.7	4.3		8.5	6.1	4.6	4.1

Table 11.--Coal and Wood Distributors - Comparison of Unincorporated and Incorporated Firms by Type of Delivery, Canada, 1946

Item	UNINCORPORATED		INCORPORATED	
	Own Delivery	Contract Delivery	Own Delivery	Contract Delivery
Number of distributors reporting	239	33	34	16
Average net sales $	64,413	100,758	166,627	168,485
Average cost of goods sold $	50,825	79,911	130,749	138,012
Average inventory beginning of year $	2,488	2,768	5,266	3,733
Average inventory end of year $	4,339	3,581	8,514	5,667
Stock turnover (times per year)	14.9	25.2	19.0	29.4
Average net profits $	3,225	4,474	4,081	3,253
Number of working proprietors	289	40	-	-
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)				
Gross margin	21.1	20.7	21.5	18.1
Operating expenses:				
Employees' salaries and wages	8.4	4.4	10.6	5.2
Advertising	0.3	0.3	0.4	0.5
Store supplies	2.2	0.7	2.5	0.5
Bad debts	0.1	0.2	0.1	0.1
Taxes and insurance	0.9	0.3	0.8	0.3
Rent	0.2	0.3	0.3	0.4
Light, heat, and power	0.2	0.1	0.2	0.1
Repairs and maintenance	1.2	0.3	1.4	0.3
Depreciation	0.8	0.3	1.1	0.3
All other expenses	1.8	1.6	1.7	1.2
Contract delivery	-	7.7	-	7.3
Total operating expenses	16.1	16.2	19.1	16.2
Net profits before deduction of income tax (1)	5.0	4.5	2.4	1.9

(1) For unincorporated firms this ratio includes proprietors' salaries.

4. DRUG STORES WITHOUT SODA FOUNTAIN

For the purpose of business operations, drug stores were separated as between those not operating and those operating soda fountains. Usable reports were received from [illegible] unincorporated and 50 incorporated drug stores without soda fountains.

When classified by size of business and occupancy there were too few unincorporated owned stores with sales over $100,000 and rented stores with sales less than $10,000 to allow publication of results.

Trends by Size of Business - Unincorporated (Table 12, page 21)

Gross margins and net profits were irregular in trend over the size range. Rented stores obtained wider margins, but increased expenses more than balanced this advantage to net smaller profits than owned stores. Similar to most other trades, inventories of merchandise were greater at the end of 1946 than at the beginning and stock was sold and replaced more often in the larger stores.

Unincorporated and Incorporated Stores Compared (Table 13, page 22)

While proprietors' salaries of unincorporated stores are included in net profit, all executive salaries of incorporated firms are included in salary expense. Aside from these items, incorporated firms realized wider gross margins and paid considerably more rent than did unincorporated stores. Their stock, however, was not turned over as rapidly as in the unincorporated type of store.

5. DRUG STORES WITH SODA FOUNTAIN (Table 14, page 23)

Satisfactory reports were received from 193 unincorporated firms in this classification. There were sufficient stores falling into only two size of business groups to warrant publication of results. No definite trends by size of business can be established on this limited size range. The results, however, are shown in table 14.

Table 12.--Drug Stores Without Soda Fountain - Operating Results of Unincorporated Stores Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	RENTED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	15	63	79	26			56	208	106	14
Average net sales per store ..... $	7,060	15,582	31,785	65,991			14,894	33,528	66,283	139,184
Average cost of goods sold, per store .... $	5,291	11,479	23,673	48,237			10,793	24,725	47,890	99,267
Average inventory beginning of year .... $	1,555	3,929	6,440	6,548	SAMPLE	SAMPLE	3,577	6,177	11,156	20,049
Average inventory end of year ... $	2,044	4,287	7,322	9,409			4,035	7,003	12,724	22,281
Stock turnover (times per year) ...	2.7	2.5	3.4	5.4			2.8	3.8	4.0	4.7
Average net profits per store ... $	1,183	2,251	4,051	8,756			1,971	4,089	8,222	15,741
Number of working proprietors	15	65	64	27			58	219	119	17

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	OWNED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	RENTED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Gross margin	25.1	26.3	25.5	26.9			27.5	26.5	27.8	28.7
Operating expenses:										
Employees' salaries and wages ...	0.9	4.3	6.0	8.0			5.0	7.1	8.4	10.2
Advertising	0.3	0.5	0.5	0.5			0.7	0.6	0.8	1.4
Store supplies	0.7	0.7	0.7	0.7			0.8	0.7	0.7	0.6
Bad debts	0.1	0.2	0.1	(a)			0.1	0.1	0.1	0.1
Taxes and insurance	1.5	1.4	1.5	0.9	TOO	TOO	1.1	0.6	0.6	0.7
Rent	-	-	-	-			2.8	2.1	1.9	1.9
Light, heat and power	2.0	1.3	0.9	0.6			1.0	0.7	0.4	0.3
Repairs and maintenance	0.5	0.6	0.6	0.5			0.5	0.4	0.4	0.3
Depreciation	0.8	0.9	0.8	0.7			0.4	0.4	0.4	0.4
All other expenses	1.5	2.0	1.8	1.7			1.9	1.6	1.7	1.5
Total operating expenses	8.3	11.9	12.8	13.6	SMALL	SMALL	14.3	14.3	15.4	17.4
Net profits before deduction of proprietors' salaries and income tax	16.8	14.4	12.7	13.3			13.2	12.2	12.4	11.3

(a) Less than 0.05 per cent.

Table 13.--Drug Stores without Fountain - Operating Results of Unincorporated and Incorporated Rented Stores Compared, Canada, 1946

Item	UNINCORPORATED			INCORPORATED		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	[illegible]	106	14	13	27	10
Average net sales per store $	[illegible]	66,283	139,184	36,782	69,158	[illegible]
Average cost of goods sold, per store $	[illegible]	47,890	[illegible]	26,242	47,495	[illegible]
Average inventory beginning of year $	[illegible]	[illegible]	20,049	[illegible]	[illegible]	[illegible]
Average inventory end of year $	[illegible]	[illegible]	[illegible]	8,862	[illegible]	[illegible]
Stock turnover (times per year)	[illegible]	[illegible]	4.7	[illegible]	[illegible]	[illegible]
Average net profits per store $	[illegible]	[illegible]	[illegible]	1,788	[illegible]	[illegible]
Number of working proprietors	[illegible]	119	17	-	-	

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Gross margin	26.5	27.8	28.7	[illegible]	[illegible]	[illegible]
Operating expenses:						
Employees' salaries and wages	7.1	8.4	10.2	15.3	14.6	[illegible]
Advertising	0.6	0.8	1.4	0.8	0.8	1.1
Store supplies	0.7	0.7	0.6	0.6	0.6	1.1
Bad debts	0.1	0.1	0.1	0.1	0.2	0.1
Taxes and insurance	0.6	0.6	0.7	0.7	0.6	0.5
Rent	2.1	1.9	1.9	2.6	2.8	3.1
Light, heat, and power	0.7	0.4	0.3	0.5	0.6	0.5
Repairs and maintenance	0.4	0.4	0.3	0.5	0.5	0.4
Depreciation	0.4	0.4	0.4	0.4	0.4	0.5
All other expenses	1.6	1.7	1.5	2.2	1.9	2.4
Total operating expenses	14.3	15.4	17.4	23.8	23.0	26.5
Net profits before deduction of income tax (1)	12.2	12.4	11.3	4.9	8.3	12.7

(1) For unincorporated stores this ratio includes proprietors' salaries.

Table 14.--Drug Stores With Soda Fountain - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES		RENTED STORES	
	$20,000 to $49,999	$50,000 to $99,999	$20,000 to $49,999	$50,000 to $99,999
Number of stores reporting	28	18	70	56
Average net sales per store $	31,878	70,934	35,910	67,158
Average cost of goods sold, per store $	24,057	53,457	27,449	50,009
Average inventory beginning of year $	5,135	9,396	5,931	8,751
Average inventory end of year $	5,544	10,003	6,520	9,747
Stock turnover (times per year)	4.5	5.5	4.4	5.4
Average net profits per store $	3,906	6,806	3,572	6,297
Number of working proprietors	31	21	77	66
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)				
Gross margin	24.5	24.6	23.6	25.5
Operating expenses:				
Employees' salaries and wages	5.6	8.1	6.2	9.2
Advertising	0.4	1.2	0.5	0.5
Store supplies	0.7	0.9	0.8	0.7
Bad debts	(a)	(a)	0.1	0.1
Taxes and insurance	1.2	0.9	0.6	0.7
Rent	-	-	1.9	1.7
Light, heat and power	0.9	0.7	0.9	0.6
Repairs and maintenance	0.8	0.6	0.6	0.5
Depreciation	1.2	1.0	0.6	0.5
All other expenses	1.5	1.6	1.4	1.6
Total operating expenses	12.3	15.0	13.6	16.1
Net profits before deduction of proprietors' salaries and income tax	12.2	9.6	10.0	9.4

(a) Less than 0.05 per cent.

6. JEWELLERY STORES

A total of 344 unincorporated and 40 incorporated jewellery stores submitted usable reports. When classed by size of business and occupancy there were too few unincorporated owned stores with sales over $100,000 to allow publication of results. The incorporated stores came within the rented class in the three largest sizes of business.

Trends by Size of Business - Unincorporated (Table 15, page 26)

Gross margins decreased in ratio from the smallest size store to the middle range then increased toward the largest size class. An increasing ratio of total expenses was balanced by an opposite trend in ratio of net profit, where the range was from 25.0 per cent in the smallest size store to 14.7 per cent in the larger categories. Expressed in dollar volume, net profits were smaller in the lowest size class and rose from $1,366 per store to $23,089 in the largest size. In all size and occupancy classes stock on hand at the end of 1946 was greater than at the beginning of the year. The rate of stock turnover increased from 1.2 times in the smallest size store to 2.7 times per year in the largest.

Comparison of Unincorporated and Incorporated Stores (Table 16, page 27)

Three sizes of rented stores are compared in Table 16. Except for the largest class, incorporated stores obtained wider gross margins than unincorporated. Net profit ratios of incorporated stores are smaller because executive salaries are included in salary expense while proprietors' salaries of unincorporated stores are included in net profit. Incorporated businesses paid more for rent but replaced their stock fewer times during the year than the unincorporated type of store.

CHART NO. 2

OPERATING RESULTS OF JEWELLERY STORES

GROSS MARGIN = NET PROFIT + SALARIES + OTHER EXPENSES

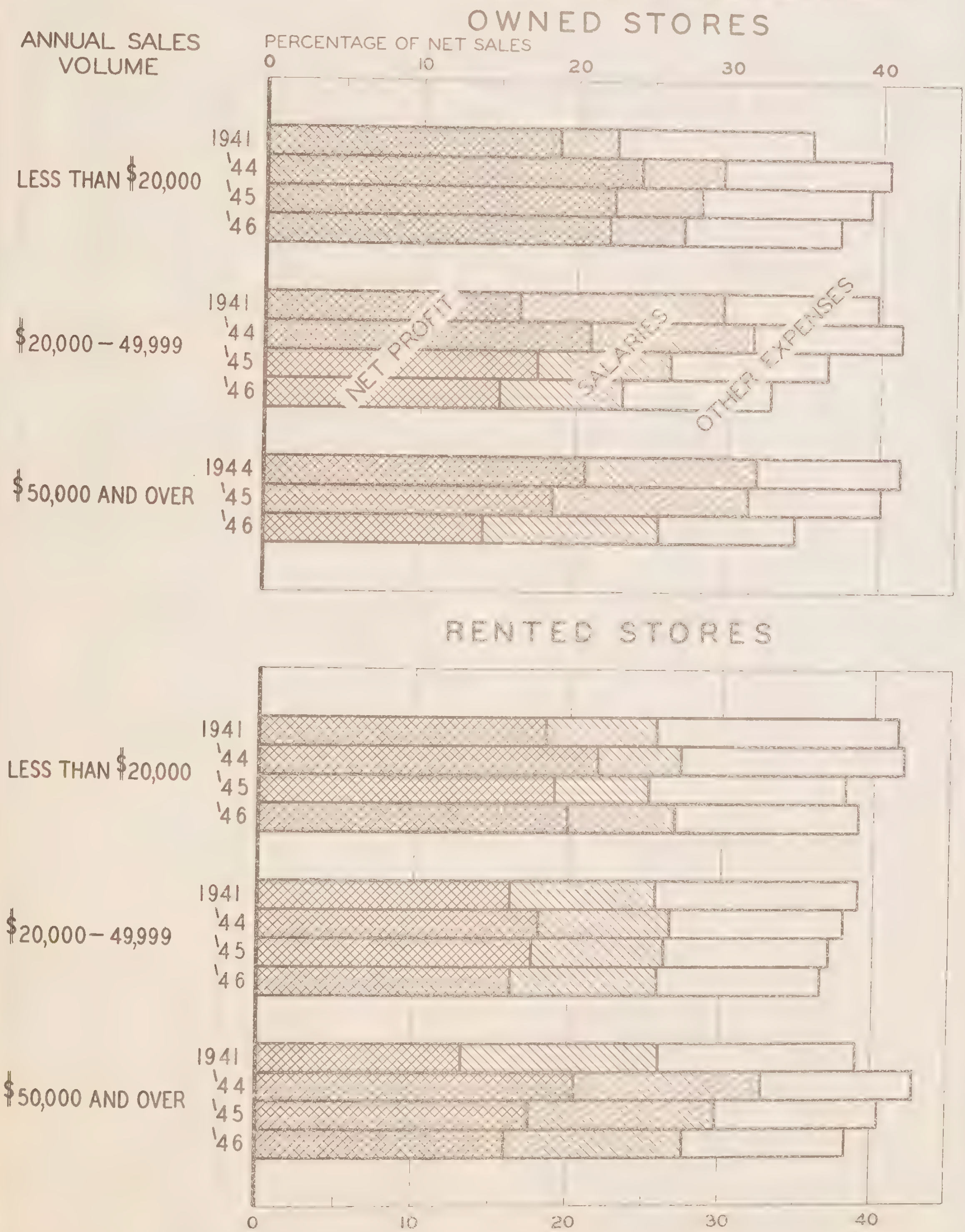


Table 15.--Jewellery Stores - Operating Results of Unincorporated Stores Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1948

Item	OWNED STORES					RENTED STORES				
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	12	22	22	16	SAMPLE	18	69	127	43	13
Average net sales per store $	6,293	15,176	31,470	67,013		7,001	15,071	31,935	67,424	[illegible]
Average cost of goods sold, per store $	3,739	9,638	21,136	43,541		4,348	9,171	20,262	41,732	85,650
Average inventory beginning of year $	2,683	5,305	8,588	14,444		3,079	5,282	9,390	18,974	27,126
Average inventory end of year $	3,533	4,664	11,597	20,056		[illegible]	6,685	[illegible]	24,752	36,211
Stock turnover (times per year)	1.2	1.6	2.1	2.5		1.2	1.5	1.8	[illegible]	[illegible]
Average net profits per store $	1,575	3,250	4,769	9,889		1,368	3,000	5,200	10,850	[illegible]
Number of working proprietors	12	25	23	20		18	74	146	[illegible]	[illegible]

PROFIT AND LOSS DATA

(Items Expressed as Percentages of Net Sales)

Item	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Gross margin	40.6	36.5	32.8	35.0		37.9	39.1	36.6	36.7	41.0
Operating expenses:										
Employees' salaries and wages	3.4	5.2	8.0	11.2		4.8	7.2	9.5	9.6	14.8
Advertising	0.7	1.0	1.2	1.2		0.7	1.1	1.4	1.9	[illegible]
Store supplies	1.4	1.2	1.0	1.1		1.5	1.2	1.3	1.2	[illegible]
Bad debts	0.2	(a)	0.2	0.3		(a)	0.1	0.1	0.2	0.2
Taxes and insurance	1.9	2.0	1.4	1.2	TOO	1.1	1.2	0.8	0.9	[illegible]
Rent	-	-	-	-		4.4	3.5	2.3	2.6	2.3
Light, heat and power	1.4	1.2	0.9	0.7		1.7	0.9	0.7	0.6	0.5
Repairs and maintenance	0.6	0.7	1.0	0.5		1.0	0.8	0.6	0.5	0.5
Depreciation	1.3	1.2	1.1	0.8		0.4	0.7	0.5	0.5	0.3
All other expenses	4.7	2.6	2.9	3.3		2.7	2.5	3.1	2.6	2.1
Total operating expenses	15.6	15.1	17.7	20.3	SMALL	18.3	19.2	20.3	20.6	25.3
Net profits before deduction of proprietors' salaries and income tax	25.0	21.4	15.1	14.7		19.6	19.9	16.3	16.1	15.7

(a) Less than 0.05 per cent.

Table 16.--Jewellery Stores - Operating Results of Unincorporated and Incorporated Rented Stores Compared, Canada, 1946

Item	UNINCORPORATED			INCORPORATED		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	127	43	13	9	12	19
Average net sales per store ... $	31,935	67,484	146,782	38,922	71,240	194,242
Average cost of goods sold, per store ... $	20,262	42,732	86,655	23,713	42,954	118,687
Average inventory beginning of year ... $	9,390	18,974	27,128	12,481	21,262	42,273
Average inventory end of year ... $	12,524	24,722	36,212	14,621	27,957	59,852
Stock turnover (times per year)	1.8	2.0	2.7	1.7	1.7	2.3
Average net profits per store ... $	5,200	10,850	23,089	3,189	7,296	21,036
Number of working proprietors	146	59	19	-	-	-
PROFIT AND LOSS DATA (Items Expressed as Percentages of Net Sales)						
Gross margin	36.6	36.7	41.0	39.1	39.7	38.9
Operating expenses:						
Employees' salaries and wages	9.5	9.6	14.8	20.6	17.9	15.8
Advertising	1.4	1.9	2.2	1.2	1.9	3.1
Store supplies	1.3	1.2	1.4	1.3	1.2	1.2
Bad debts	0.1	0.2	0.2	0.3	0.2	0.1
Taxes and insurance	0.8	0.9	1.0	1.1	0.9	0.8
Rent	2.3	2.6	2.3	3.1	3.3	2.4
Light, heat, and power	0.7	0.6	0.5	0.6	0.6	0.5
Repairs and maintenance	0.6	0.5	0.5	0.2	0.3	0.7
Depreciation	0.5	0.5	0.3	0.4	0.4	0.4
All other expenses	3.1	2.6	2.1	2.1	2.8	3.1
Total operating expenses	20.3	20.6	25.3	30.9	29.5	28.1
Net profits before deduction of income tax (1)	16.3	16.1	15.7	8.2	10.2	10.8

(1) For unincorporated stores this ratio includes proprietors' salaries.

7. TOBACCO STORES

A store, to be included in this classification, must sell more than 50 per cent tobacco and smokers' sundries. Other merchandise sold includes magazines, newspapers, confectionery, and novelties. Usable reports were received from 302 unincorporated stores. When these were classified by size of business and occupancy there were sufficient owned stores in only two size classes and too few rented stores with sales over $100,000 to warrant publication of results.

Trends by Size of Business (Table 17, page 29)

The gross margin ratios were confined between 14.4 per cent and 19.0 per cent with no definite trend over the different size classes. Net profits in rented stores decreased in ratio with sales volume. Expressed in dollar volume, these profits expanded with size from $830 in the smallest size store to $5,076 in the largest.

Salaries increased moderately with volume of sales from 0.3 per cent to 4.4 per cent while most other expenses diminished in relation to sales. Similar to most other kinds of retail trade, stock held at the end of 1948 was considerably greater in dollar volume than at the beginning of the year. The rate of stock turnover was less in the larger size stores than in the smaller.

Table 17.--Tobacco Stores - Operating Results Classified According to Amount of Annual Sales and Occupancy Basis, Canada, 1946

Item	OWNED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	RENTED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999
Number of stores reporting		16	26		21	73	124	29
Average net sales per store $		15,348	29,346		7,004	15,400	30,540	66,784
Average cost of goods sold, per store $		13,132	24,623		5,675	12,875	25,927	55,903
Average inventory beginning of year $	SAMPLE	766	1,839	SAMPLE	426	1,181	2,140	5,342
Average inventory end of year $		783	2,019		430	1,267	2,563	6,223
Stock turnover (times per year)		17.0	12.8		13.3	10.5	11.0	9.7
Average net profits per store $		1,198	2,576		830	1,320	2,326	5,076
Number of working proprietors		17	27		21	76	135	35

PROFIT AND LOSS DATA
(Items Expressed as Percentages of Net Sales)

Item	OWNED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	RENTED STORES Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999
Gross margin		14.4	16.1		19.0	16.4	15.1	16.3
Operating expenses:								
Employees' salaries and wages		0.9	2.6		0.3	2.2	2.7	4.4
Advertising		0.1	0.1		(a)	(a)	0.1	0.2
Store supplies		0.5	0.5		0.4	0.5	0.4	0.3
Bad debts		(a)	(a)		-	(a)	(a)	(a)
Taxes and insurance	TOO	1.4	1.0	TOO	0.9	0.5	0.4	0.5
Rent		-	-		3.7	2.7	2.0	1.7
Light, heat, and power		1.0	0.8		1.0	0.8	0.5	0.3
Repairs and maintenance		0.6	0.6		0.2	0.3	0.3	0.2
Depreciation		0.8	0.9		(a)	0.2	0.2	0.3
All other expenses		1.3	0.8		0.6	0.6	0.9	0.8
Total operating expenses	SMALL	6.6	7.3	SMALL	7.1	7.8	7.5	8.7
Net profits before deduction of proprietors' salaries and income tax		7.8	8.8		11.9	8.6	7.6	7.6

(a) Less than 0.05 per cent.

GOVERNMENT OF CANADA

OPERATING RESULTS

AND

FINANCIAL STRUCTURE

MISCELLANEOUS RETAIL STORES

1948

"D.B.S." PUBLICATION

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FUEL DEALERS

DRUG STORES

JEWELLERY STORES

TOBACCO STORES

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4. PROFIT AND LOSS STATEMENT

MERCHANDISING STATEMENT

1. TOTAL NET SALES OR RECEIPTS (INCLUDE ALL MERCHANDISE LESS ALLOWANCES; INCLUDE VALUE OF GOODS SOLD ON A COMMISSION BASIS, MEALS SOLD OR CONSUMED, SERVICE RECEIPTS, AND PROPRIETORS' WITHDRAWALS OF GOODS FOR THEIR OWN USE AT RETAIL PRICES) (DO NOT INCLUDE DIRECT SALES TAXES AND NON-TRADING REVENUES, SUCH AS RECEIPTS, DIVIDENDS, RENT, BAD DEBTS RECOVERED, ETC.)
2. INVENTORY OF MERCHANDISE FOR RESALE BEGINNING OF YEAR. (EXCLUDE STORE SUPPLIES ON HAND.)
3. MERCHANDISE PURCHASED FOR RESALE AT INVOICED VALUE, LESS RETURNS, ALLOWANCES, CASH AND TRADE DISCOUNTS. (INCLUDE DUTY, INWARD FREIGHT, EXPRESS AND TRUCKAGE. EXCLUDE STORE SUPPLIES SHOWN UNDER ITEM 16.)
4. TOTAL, BEGINNING INVENTORY AND MERCHANDISE PURCHASED (ADD ITEMS 2 AND 3)
5. INVENTORY OF MERCHANDISE FOR RESALE, END OF YEAR. (EXCLUDE STORE SUPPLIES ON HAND)
6. COST OF MERCHANDISE SOLD (SUBTRACT ITEM 5 FROM ITEM 4)
7. GROSS TRADING PROFIT OR MARGIN (SUBTRACT ITEM 6 FROM ITEM 1)

DOLLARS OMIT CENTS

EXPENSE STATEMENT

8. SALARIES, WAGES AND COMMISSIONS PAID TO ALL EMPLOYEES, EXCEPT DELIVERY (REPORT FULL AMOUNT BEFORE PAYROLL DEDUCTIONS. DO NOT INCLUDE WITHDRAWALS BY PROPRIETORS OR PARTNERS OF UNINCORPORATED BUSINESS.)
9. TAXES (INCLUDE BUSINESS, PROPERTY AND WATER TAXES, AND LICENCES. DO NOT INCLUDE INCOME TAX AND DIRECT TAXES COLLECTED BY THE STORE FOR THE GOVERNMENT.)
10. INSURANCE (INSURANCE PREMIUMS APPLICABLE TO YEAR REFER TO ALL TYPES CARRIED FOR PROTECTION OF THE BUSINESS.)
11. RENTALS FOR PREMISES USED IN BUSINESS.
12. HEAT, LIGHT AND POWER USED IN YEAR.
13. DELIVERY EXPENSE
    - (a) OWN EQUIPMENT
        - SALARIES
        - REPAIRS AND MAINTENANCE
        - DEPRECIATION, LICENSES AND INSURANCE
        - SUPPLIES USED (GAS, OIL, GREASE)
    - (b) TOTAL AMOUNT PAID FOR CONTRACT DELIVERY
    - TOTAL DELIVERY EXPENSE
14. REPAIRS AND MAINTENANCE (EXCLUDE CAPITAL EXPENDITURES)
15. DEPRECIATION ALLOWANCES (PLEASE SEE FOOTNOTE ON PAGE 1.) IF YOUR FIXED STORE ASSETS HAVE BEEN ENTIRELY DEPRECIATED, ENTER "NIL."
16. STORE SUPPLIES (WRAPPING PAPER, TWINE, OFFICE SUPPLIES, ETC.)
17. ADVERTISING
18. LOSS ON BAD DEBTS DURING THE YEAR
    - AMOUNT WRITTEN OFF DURING YEAR
    - LESS AMOUNT RECOVERED
    - TOTAL NET LOSS ON BAD DEBTS
19. ALL OTHER EXPENSES (TELEPHONE, TELEGRAPH, POSTAGE, BANK CHARGES, INTEREST ON BORROWED MONEY USED IN THE BUSINESS, LEGAL, AUDIT FEES, ETC.) (DO NOT INCLUDE CAPITAL EXPENDITURE OR PROPRIETORS' OR PARTNERS' SALARIES OR WITHDRAWALS.)
20. TOTAL OPERATING EXPENSES (ADD ITEMS 8 TO 19 INCLUSIVE)

DOLLARS OMIT CENTS

NET TRADING PROFIT

21. NET TRADING PROFIT BEFORE DEDUCTIONS OF PROPRIETORS' OR PARTNERS' SALARIES OR WITHDRAWALS AND BEFORE INCOME TAXES.

5. WORKING PROPRIETORS, PARTNERS AND PAID EMPLOYEES

A WORKING PROPRIETOR HAS BOTH AN OWNERSHIP INTEREST IN THE BUSINESS AND SPENDS PART OR ALL OF HIS OR HER TIME IN ITS MANAGEMENT.
NOTE: EMPLOYEES WORKING FOR ONLY PART OF THE REGULAR AND NORMAL PAY PERIOD ARE PART-TIME EMPLOYEES. IF BUSINESS IS INCORPORATED, WORKING EXECUTIVES AND OFFICIALS SHOULD BE INCLUDED IN SECTION 4, ITEM 8

1. TOTAL SALARIES OR WITHDRAWALS OF PROPRIETORS OR PARTNERS IN 1948
2. WHAT WAS THE AVERAGE NUMBER OF PAID EMPLOYEES IN 1948?
    - FULL-TIME EMPLOYEES
    - PART-TIME EMPLOYEES

6. BALANCE SHEET FOR YEAR 1948

		DOLLARS OMIT CENTS
CURRENT ASSETS	CASH ON HAND OR IN BANK	
	(A) ACCOUNTS AND NOTES RECEIVABLE	
	(B) RESERVE FOR DOUBTFUL ACCOUNTS	
	TOTAL ACCOUNTS RECEIVABLE (PER BALANCE SHEET) (A LESS B)	
	MERCHANDISE INVENTORIES	
	OTHER CURRENT ASSETS (PREPAID EXPENSES, ETC.)	
FIXED ASSETS	(A) LAND, BUILDINGS, FURNITURE, FIXTURES, EQUIPMENT	
	(B) RESERVE FOR DEPRECIATION	
	TOTAL FIXED ASSETS (A LESS B)	
OTHER ASSETS	GOODWILL, DEFERRED CHARGES, SINKING FUNDS	
	TOTAL ASSETS	
LIABILITIES	CURRENT LIABILITIES — ACCOUNTS AND NOTES PAYABLE	
	OTHER LIABILITIES — ACCRUED EXPENSES, PREPAID INCOME	
NET WORTH	CAPITAL STOCK (WHETHER PROPRIETOR'S, PARTNERS' OR SHARE-HOLDERS' EQUITY)	
	SURPLUS ACCOUNT	
	TOTAL LIABILITIES AND NET WORTH	

BALANCE SHEET FOR YEAR 1947

		DOLLARS OMIT CENTS
CURRENT ASSETS	CASH ON HAND OR IN BANK	
	(A) ACCOUNTS AND NOTES RECEIVABLE	
	(B) RESERVE FOR DOUBTFUL ACCOUNTS	
	TOTAL ACCOUNTS RECEIVABLE (PER BALANCE SHEET) (A LESS B)	
	MERCHANDISE INVENTORIES	
	OTHER CURRENT ASSETS (PREPAID EXPENSES, ETC.)	
FIXED ASSETS	(A) LAND, BUILDINGS, FURNITURE, FIXTURES, EQUIPMENT	
	(B) RESERVE FOR DEPRECIATION	
	TOTAL FIXED ASSETS (A LESS B)	
OTHER ASSETS	GOODWILL, DEFERRED CHARGES, SINKING FUNDS	
	TOTAL ASSETS	
LIABILITIES	CURRENT LIABILITIES — ACCOUNTS AND NOTES PAYABLE	
	OTHER LIABILITIES — ACCRUED EXPENSES, PREPAID INCOME	
NET WORTH	CAPITAL STOCK (WHETHER PROPRIETOR'S, PARTNERS' OR SHARE-HOLDERS' EQUITY)	
	SURPLUS ACCOUNT	
	TOTAL LIABILITIES AND NET WORTH	

7. ANNUAL SALES TRENDS

		DOLLARS OMIT CENTS
IN ORDER TO PROVIDE COMPARABLE FIGURES FROM YEAR TO YEAR, PLEASE STATE YOUR TOTAL SALES. (SALES FOR 1948 SHOULD AGREE WITH AMOUNT GIVEN IN SECTION 4, ITEM 1)	TOTAL SALES FOR 1948	
	TOTAL SALES FOR 1947	

THE INFORMATION GIVEN ON THIS SCHEDULE IS CORRECT AND COMPLETE TO THE BEST OF MY KNOWLEDGE.

NAME OF FIRM ______________________

DATE OF REPORT ______________ SIGNATURE ______________________

PERIOD COVERED FROM ______________ TO ______________

DEFINITIONS..........

PROFIT AND LOSS

NET SALES represent the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

GROSS PROFIT is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

OPERATING EXPENSES are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) - paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit (in independent store operations).
Taxes and Insurance - business, property and water taxes, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.
Rentals - monies paid for premises used only in the business.
Heat, light and power expenses - amount paid for these used during the year.
Delivery expense - includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).
Repairs and maintenance - incurred for the purposes of keeping fixed store assets operating efficiently (excludes capital expenditure).
Depreciation - allowances to cover decreases in the value of fixed store assets.
Store supplies - used in the business during the year - wrapping paper, office supplies.
Advertising
Loss on bad debts - during the year - amount written off Less old debts recovered.
Other expenses - telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

NET PROFIT is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals.

STOCK TURNOVER is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise sold.

BALANCE SHEET

ASSETS

Cash on hand - or in the bank represents the amount of cash at the end of the year.

Net accounts receivable - are all notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventories - represents the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets includes assets which may be converted into cash, if necessary, within a reasonably short time, such as prepaid insurance, office and store supplies, Dominion of Canada Bonds.

Fixed assets (net) - is the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation.

Other assets - include deferred charges - items of expenditure from which future benefits are expected - intangibles such as goodwill, investments of a permanent nature not readily converted into cash.

LIABILITIES AND NET WORTH

Current liabilities - are obligations which must be paid in the near future and represent accounts receivable or any item that may be considered as a direct lien against current assets.

Other liabilities - (includes fixed liabilities) - mortgages, mortgage bonds and long-term notes; accrued expenses such as taxes or rent due but not yet paid, and prepaid or deferred income - money received in advance for which goods or services have not yet been given.

Capital stock - as applicable to incorporated companies represents the investment account of the stockholder in the capital shares of the corporation and does not exceed the amount authorized.

Surplus - as applicable to corporations includes earned surplus from operating profits, capital surplus, from premiums received on the sale of capital stock, and surplus reserves.

Net worth - is the difference between total assets and total liabilities and represents owners' equity in the business. This is composed of capital stock and surplus.

Note: In unincorporated firms capital and surplus are not shown separately because the majority of reports from these firms did not separate surplus from capital. For practical purposes, then, net worth represents the capital of unincorporated businesses.

LIST OF ALLIED PUBLICATIONS

ANNUAL:

- Food Chains in Canada
- Variety Chains in Canada
- Drug Chains in Canada
- Retail Chains in Canada
- Retail Trade

QUARTERLY:

- Retail Consumer Credit

MONTHLY:

- Department Store Sales and Inventories
- Retail Trade
- Wholesale Trade

SPECIAL:

- Operating Results Series
  - Independent Stores - 5 bulletins, 20 trades (1948 survey includes Balance Sheet data)
  - Wholesalers - 3 bulletins, 10 trades
  - Chain Stores - 3 bulletins, 10 trades

The above publications may be obtained by writing to the

Dominion Bureau of Statistics, Ottawa

OPERATING RESULTS AND FINANCIAL STRUCTURE MISCELLANEOUS RETAIL STORES 1948

INTRODUCTION

This report continues the series of bulletins published in 1944, 1945 and 1946 on operating results in retail trade. It contains the operating results and financial structure of a group of Miscellaneous trades - country general stores, restaurants, fuel dealers, drug stores, jewellery stores and tobacco stores.. Country general stores were formerly included in the bulletin "Operating Results of Country General and Dry Goods Stores".

An important addition to the 1948 studies will be found in the analysis of Balance Sheet data of the responding firms. This provides information on the financial position of the various trades by size and occupancy groups. From this additional information, many useful ratios are made available such as those between balance sheet items, known as static ratios, and those obtained by relating the operating figures, known as velocity ratios.

These studies do not attempt to deal with methods of operation or their possible improvement, but present operating and financial statement 'averages' for independent retail trades by size and occupancy classes. Except for one trade no regional analysis has been made, the sample having been designed to produce national averages only.

In some trades the results of both unincorporated and incorporated businesses have been shown while in others the sample comprised only unincorporated stores. In the profit and loss section, the salaries figure for incorporated firms includes remuneration to executives, while for unincorporated stores, proprietors' withdrawals remained a part of net profit. In the balance sheet section, segregation of capital stock and surplus was possible for incorporated firms, but the majority of unincorporated firms reported the two items as one amount - net worth.

Chain stores are dealt with in a separate survey alternated each year with the studies on independent stores.

USE OF OPERATING AND FINANCIAL RATIOS

An orderly system of bookkeeping is essential if the best use is to be made of the ratios in this report. Reference should also be made to the list of definitions provided on pages 4 and 5 of this bulletin. Following are a few brief comments on both the Profit and Loss Statement and Balance Sheet results, illustrating the use and purposes of this study.

PROFIT AND LOSS

The retail merchant, reviewing his year's operations and planning improvements and economies in certain phases of his activities, may become aware of the following important questions:

1. What is an adequate profit for his line of business?

2. What amount of inventory should be carried and how many times a year should it be turned over?

3. What proportion of sales should be paid out in wages to employees?

4. What part of sales should be spent on other operating expenses?

This bulletin presents 'average' results for comparison purposes. All major profit and expense items are expressed as percentages of net sales. Where there was a sufficient number of responding firms, this information was broken down into five sales-size classes for owned and rented stores.

Certain refinements in expense items have been made by segregating delivery expense. In some trades, this item is shown separately while for others it is included with 'other' expenses. The components of this item were contained in certain other items in previous bulletins. This has had an effect on comparisons with expenses shown for previous years in earlier bulletins of this series.

BALANCE SHEET

The financial effects of changes in operating plans and policies may be observed by comparison of balance sheets for succeeding years. As this is the first study made by this Bureau on Balance Sheet data we can present only the item averages as they stood at the end of 1948. These averages and ratios, however, should be of considerable value as an indication of what a merchant's own financial position might be. Where possible, a division has been made by age of business within size and occupancy groups. An analysis of financial statements should produce the following information.

1. Ability to meet current and long-term obligations.

2. Owners' net worth or equity in the business.

3. Potential productivity of the business.

Important ratios from the Balance Sheet are:

1. Current assets to current liabilities - often called the "current ratio". This ratio indicates the ability of the business to meet current obligations out of current assets. Its changes indicate whether a business is gaining or losing working capital.

2. Current assets to fixed assets: Fixed assets should not be expanded at the expense of current assets needed for operating expenses and inventory purchases. Decreases in this ratio may indicate any tendency toward over-investment in fixed assets.

3. Net quick assets to net worth: The ratio of net quick assets (current assets minus current liabilities - also called working capital) to net worth discloses how much of proprietors' capital or net worth is in the form of quickly convertible assets free from current obligation.

4. Liabilities to net worth shows the relationship between total debt and owned capital. This ratio will fluctuate at times when seasonal buying creates higher liabilities while net worth remains uniform.

Ratios of particular use in dealing with other aspects of business may also be calculated from figures in this report. A division between capital and surplus was not feasible for businesses of individual ownership or partnerships.

VELOCITY RATIOS. These are ratios between certain profit and loss and balance sheet items.

1. Cost of merchandise sold to inventories is a fairly uniform ratio and is a good test of efficiency. A decrease in this ratio will indicate an overstocked condition. Because beginning and year-end inventories are shown in the profit and loss statement, this ratio or rate of stock turnover is calculated from the average of these two inventories and is shown with the profit and loss tables in this bulletin.

2. Sales to net worth, or in the case of incorporated firms to owned capital, determines the relative use of capital in conducting business. After a certain ratio has been established to govern employment of capital for a given volume of sales, any fluctuation will indicate to what extent capital is being accumulated beyond profitable investment or vice versa.

3. The ratio of sales to fixed assets measures the relationship between sales and the investment in fixed assets to produce such sales. This ratio is of lesser significance in the rented class where there is a smaller investment in equipment than in owned stores. Fluctuation in prices must be considered in comparing this ratio over any long period, because fixed assets are not re-valued as prices of goods sold increase or decrease.

4. Net profit to net worth ratio shows the relationship between net profit and the proprietors' equity in the business.

Other velocity ratios may be calculated, one of which is "accounts receivable to sales". This ratio is of value only where the amount of credit sales is known. This study did not ask for this information, but the quarterly series "Retail Consumer Credit" published by the Merchandising and Services Section of the Dominion Bureau of Statistics contains information on this subject. Cash and credit sales, and accounts receivable subdivided into instalment and charge accounts are published in the form of indexes for 16 trades. Basic data to make comparisons may be taken from tabulations of the 1941 Census of Merchandising and Services Establishments.

Newfoundland was not included in this survey.

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The assistance and guidance of the CANADIAN RETAIL FEDERATION throughout this survey is gratefully acknowledged.

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SUMMARIES, CHARTS AND TABLES

1. COUNTRY GENERAL STORES

Stores classified as "country general" carry a general line of merchandise and are situated in localities of less than 2,000 population. Food sales usually form a large part of the business but if more than 80% the store is not regarded as a country general store. Other commodities generally handled include clothing, dry goods, shoes, hardware and tobacco products.

Profit and loss information was received from 427 unincorporated stores. Separate results are shown for rented and owned stores within each sales size.

Balance sheet data were supplied by 216 firms and submissions from owned stores were sufficiently numerous to permit tabulation of results by age within three of the larger sizes.

Some of the more significant observations derived from an analysis of the average operating results and financial structure in 1948 are reviewed below:

1. Gross profits decreased slightly while operating expenses absorbed a little higher proportion of sales, with the result that the net profit ratio declined in 1948 compared with 1945 and 1946 (1945- 6.8%, 1946- 6.6%, 1948- 6.0%).

2. Inventories accumulated more rapidly than sales between 1946 and 1948. Stock turnover was 4.2 times in 1948 compared with 4.8 and 4.7 times in 1945 and 1946. (Table 1, page 12).

3. Gross profit ratios varied for different sizes of business, but not in a regular pattern related to volume of sales. Net profit ratios, on the other hand, were largest in the smaller stores, although this trend is not completely consistent in the case of rented establishments.

4. Salaries and wages occupied a more prominent position among the expenses of the larger stores, a condition which is common to all retail operations. Part of this differential wage cost is overcome by the diminishing proportion of expenditure on occupancy items for the larger stores. The rate of stock turnover increased from 2.5 times in the smallest of the owned stores to 4.7 times in the largest, and there was a corresponding wide and increasing range in the case of rented stores. (Table 2, page 14).

5. Owned and rented country general stores were in very similar positions at the end of 1948 as concerned the 'current ratio', with $4.11 and $4.14 current assets for every $1.00 of current liability respectively. In all age, size and occupancy segments, net quick assets were more than 50% of net worth, and total liabilities in no case exceeded 40% of net worth.

In both owned and rented stores, the larger sizes of business utilized fixed assets to better advantage in producing sales than did the smaller stores. In owned stores, sales per dollar of fixed assets ranged from $6.44 in the smallest size to $11.60 in the group with sales of $100,000 or over. In rented stores, where there was no real estate investment, sales per $1.00 of fixed assets ranged form $21.82 in the smallest to $50.38 in the largest size class. (Tables 3 and 4, pages 15 and 16).

Table [illegible] - Operating Results of Country General Stores - 1945, 1946, 1948

Item	1945	1946	1948
Stores reporting .... No.	560	607	427
Average net sales per store .... $	42,492	47,764	59,014
Average beginning inventory .... $	7,394	7,521	11,438
Average inventory, end of year .... $	7,977	9,266	12,280
Stock turnover .... (times per year)	4.8	4.7	4.2
Gross profit	15.4	15.5	15.1
Operating expenses:			
Employees' salaries and wages	3.9	4.3	4.3
Occupancy	2.5	2.5	2.4
Store supplies	0.8	0.7	0.4
Advertising	0.1	0.1	0.2
All other expenses	1.3	1.3	1.8
Total operating expenses	8.6	8.9	9.1
Net profit before deduction of proprietors' salaries and income tax	6.8	6.6	6.0

(Items expressed as percentages of net sales)

CHART 1

OPERATING RESULTS OF COUNTRY GENERAL STORES, 1948

BY AMOUNT OF ANNUAL SALES

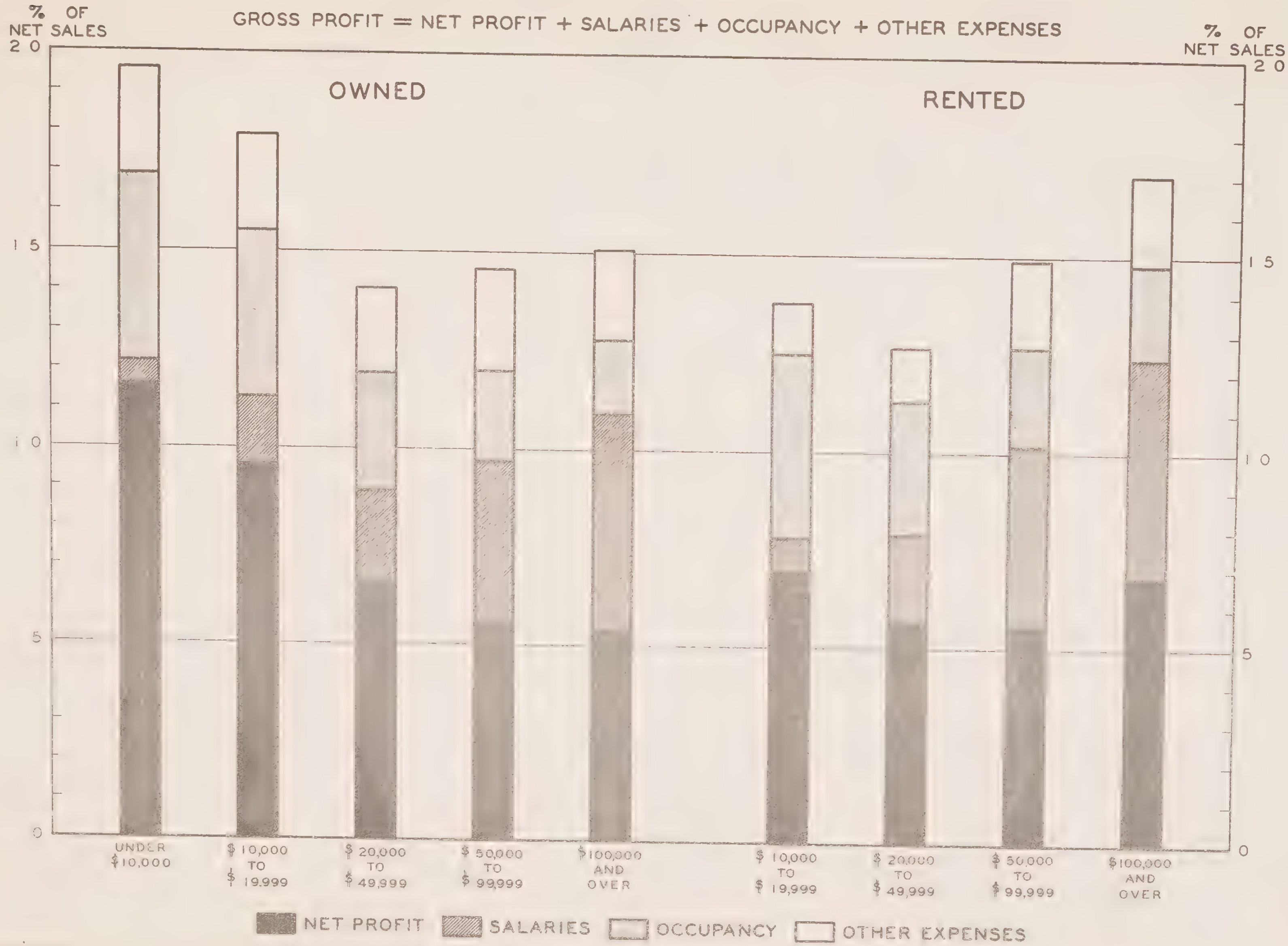


Table [illegible].--Country General - Operating Results Classified according to
Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED Under $10,000	OWNED $10,000 to $19,999	OWNED $20,000 to $49,999	OWNED $50,000 to $99,999	OWNED $100,000 and Over	RENTED (1) $10,000 to $19,999	RENTED (1) $20,000 to $49,999	RENTED (1) $50,000 to $99,999	RENTED (1) $100,000 and Over
Number of stores reporting	21	69	136	88	52	11	15	22	13
Average net sales per store ... $	[illegible]	18,800	[illegible]	72,360	164,146	16,346	33,484	65,022	[illegible]
Average cost of goods sold ... $	[illegible]	15,580	[illegible]	[illegible]	134,895	[illegible]	29,221	55,325	164,051
Average beginning inventory ... $	2,175	4,156	[illegible]	[illegible]	[illegible]	4,255	6,336	12,798	29,306
Average inventory, end of year ... $	2,356	[illegible]	7,850	16,304	30,400	4,680	7,361	13,669	[illegible]
Stock turnover (times per year)	[illegible]	[illegible]	[illegible]	[illegible]	4.72	2.96	4.03	4.16	[illegible]
PROFIT AND LOSS DATA									
(Per cent of net sales)									
Gross profit	[illegible]	17.81	14.05	14.61	15.14	15.81	12.71	14.91	17.05
Operating expenses:									
Employees' salaries and wages	.56	1.88	2.39	4.08	5.52	.87	2.17	4.65	5.61
Taxes	.92	.57	.40	.38	.26	.44	.44	.17	.13
Insurance	.52	.66	.47	.45	.45	.57	.37	.33	.33
Rent	-	-	-	-	-	1.64	1.26	1.01	.67
Heat, light and power	2.07	1.39	.84	.58	.37	1.38	.86	.58	.34
Repairs and maintenance	.72	.85	.53	.35	.30	.36	.19	.15	.51
Depreciation allowances	.47	.72	.73	.66	.52	.53	.37	.21	.42
Store supplies	.59	.45	.40	.48	.32	.39	.29	.42	.46
Advertising	.02	.10	.14	.21	.23	.14	.05	.20	.33
Bad debts - written off	.33	.27	.19	.21	.45	.10	.05	.16	.35
(Less) amount recovered	.03	.01	.01	.02	.07	-	-	.01	.19
Net bad debt loss	.30	.26	.18	.19	.38	.10	.05	.15	.16
All other expenses	1.72	1.58	1.50	1.98	1.40	.71	1.02	1.46	1.27
Total operating expenses	8.00	8.30	7.48	9.02	9.75	6.93	7.00	9.34	10.23
Net trading profit before deduction of proprietors' salaries and income tax	11.59	9.51	6.58	5.59	5.39	6.88	5.71	5.57	6.82

(1) Sample of stores with sales less than $10,000 too small.

Table 5.--Country General Stores - Owned - Financial Structure by Size and Age of Business
December 31, 1948

Item (*) (Average per store)	$20,000 - $49,999 Under 10 years	$20,000 - $49,999 10 years & over	$20,000 - $49,999 Total	$50,000 - $99,999 Under 10 years	$50,000 - $99,999 10 years & over	$50,000 - $99,999 Total	$100,000 and Over Under 10 years	$100,000 and Over 10 years & over	$100,000 and Over Total	Total - all Sizes (over $20,000)
	$	$	$	$	$	$	$	$	$	$
Assets										
Current assets:										
Cash on hand or in bank	1,230	2,174	1,882	2,859	2,386	2,527	2,956	3,171	3,111	2,346
Net accounts receivable	1,229	1,625	1,557	4,197	4,637	4,506	6,333	7,734	7,340	3,707
Merchandise inventory	6,514	7,439	7,181	17,401	15,899	16,348	26,732	31,665	30,277	14,784
Other current assets	502	432	452	2,217	784	1,211	293	1,624	1,244	880
Total current assets	9,475	11,688	11,072	26,674	23,706	24,592	36,294	44,194	41,972	21,717
Net fixed assets	4,745	5,374	7,198	7,422	5,163	6,532	8,208	15,556	13,561	7,204
Other assets	129	1,402	1,048	276	778	628	4,644	1,225	2,187	1,094
Total assets	14,349	18,464	19,318	34,372	30,637	31,752	49,146	61,075	57,720	30,015
Liabilities and Net Worth:										
Current liabilities	1,978	2,392	2,277	5,888	5,644	6,419	12,481	9,482	10,325	5,283
Other liabilities	372	110	153	2,691	921	1,449	1,580	4,643	3,782	1,307
Total liabilities	2,350	2,502	2,469	8,579	7,565	7,868	14,061	14,125	14,107	6,590
Net worth	11,999	15,962	16,858	25,793	23,072	23,884	35,085	46,950	43,613	23,425
Total Liabilities and Net Worth	14,349	18,464	19,318	34,372	30,637	31,752	49,146	61,075	57,720	30,015
Sales	30,894	34,483	33,484	71,678	71,140	71,301	141,987	163,331	157,328	69,983
Net Profit	2,033	2,269	2,203	4,007	3,977	3,986	7,555	8,804	8,480	4,005
Ratios:										
Current assets to current liabilities	4.79	4.89	4.86	4.53	3.57	3.83	2.91	4.56	4.07	4.11
Current assets to fixed assets	2.00	2.18	2.13	3.59	3.85	3.77	4.42	2.82	3.10	3.01
Net quick assets to net worth	.62	.58	.59	.81	.74	.76	.68	.74	.73	.70
Liabilities to net worth	.20	.16	.17	.33	.33	.33	.40	.30	.32	.28
Sales to net worth	2.57	2.16	2.25	2.78	3.08	2.99	4.05	3.48	3.61	2.99
Sales to fixed assets	6.51	5.42	6.44	9.66	11.56	10.92	17.30	10.43	11.60	9.71
Net profit to net worth	.17	.14	.15	.16	.17	.17	.22	.19	.19	.17

(*) See definitions on page 5 for more detail description.

Table 4.--Country General Stores - Rented - Financial Structure by Size of Business, December 31, 1948

Item (*) (Average per store)	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total all Sizes (over $20,000)
	$	$	$	$
Assets				
Current assets:				
Cash on hand or in bank	1,691	3,444	6,219	3,786
Net accounts receivable	1,619	3,547	13,954	6,052
Merchandise inventory	5,792	13,388	29,605	16,084
Other current assets	94	280	4,160	1,354
Total current assets	9,196	20,659	53,938	27,276
Net fixed assets	1,561	1,439	3,675	2,118
Other assets	122	79	1,393	471
Total assets	10,879	22,177	59,006	29,865
Liabilities and Net Worth:				
Current liabilities	1,967	4,416	14,141	6,586
Other liabilities	30	294	1,147	472
Total liabilities	1,997	4,710	15,288	7,058
Net Worth	8,882	17,467	43,718	22,807
Total Liabilities and Net Worth	10,879	22,177	59,006	29,865
Sales	34,072	66,049	185,150	92,111
Net Profit	1,948	3,679	12,646	5,818
Ratios:				
Current assets to current liabilities.	4.67	4.68	3.81	4.14
Current assets to fixed assets	5.89	14.36	14.68	12.88
Net quick assets to net worth	.81	.93	.91	.91
Liabilities to net worth	.22	.27	.35	.31
Sales to net worth	3.84	3.78	4.24	4.04
Sales to fixed assets	21.82	45.90	50.38	43.49
Net profit to net worth	.22	.21	.29	.26

2. RESTAURANTS

Included in this study were those restaurants which had as their main activity the provision of meals. Those with sales of tobacco, candy and other merchandise amounting to more than 20% of sales were not used.

Reports giving detailed profit and loss information were received from 275 independent unincorporated restaurants. Results are presented by sales-size classes for both owned and rented restaurants.

Balance sheet data were supplied by only 110 firms and it was possible to present results only for the three largest sales-size groups of rented businesses.

The operating results and financial structure of restaurants in 1948 are summarized below:

1. While the gross profit of restaurants remained very close to the 1946 level of 37.2%, increased operating expenses during 1948 reduced net profit from 8.6% in 1945, and 8.0% in 1946, to 6.9% of net receipts in 1948. Salaries and occupancy costs increased as a proportion of receipts in 1948, and these were the most important factors contributing to the decline in net profit. (Table 5, page 18).

2. In 1948, the largest restaurants showed definitely higher gross profits in relation to receipts. From a low of 31.64% in the smallest size class the ratio ranged to 39.03% in the largest of the rented establishments. The trend was quite similar for owned restaurants. Operating expenses also became higher with increased volume of sales and the increase corresponded closely with higher outlay for salaries and wages. Net profit ranged from 9.48% of receipts in the smallest size group of rented establishments to 5.40% in the largest class of owned restaurants. (Table 6, page 20).

3. At December 31, 1948 the average ratio of current assets to current liabilities was 1.81, and the range was from 1.60 to 2.00 over the different size and age groups of restaurants. In the two size classes for which an age breakdown was possible, restaurants established for at least 10 years had a more favourable "current ratio" than did more recent business entrants. This 'age' advantage of the older establishments is reflected also in other ratios indicative of relative financial positions. (Table 7, page 21).

Table 5. - Operating Results of Restaurants - 1945, 1946, 1948

Item	1945	1946	1948
Restaurants reporting .... No.	445	382	275
Average net receipts .... $	45,956	48,816	55,007
Average beginning inventory .... $	873	928	1,374
Average inventory, end of year .... $	965	1,074	1,318
Stock turnover .... (times per year)	31.4	30.6	25.7
Gross profit	36.8	37.2	37.1
Operating expenses:			
Salaries and wages	17.1	18.2	18.5
Occupancy	7.4	7.4	7.9
Store supplies	1.1	1.1	.8
Advertising	.2	.3	.3
All other expenses	2.4	2.2	2.7
Total operating expenses	28.2	29.2	30.2
Net profit before deduction of proprietors' salaries and income tax	8.6	8.0	6.9

(Items expressed as percent of net receipts).

CHART 2.

OPERATING RESULTS OF RESTAURANTS, 1948

BY AMOUNT OF ANNUAL SALES

GROSS PROFIT = NET PROFIT + SALARIES + OCCUPANCY + OTHER EXPENSES

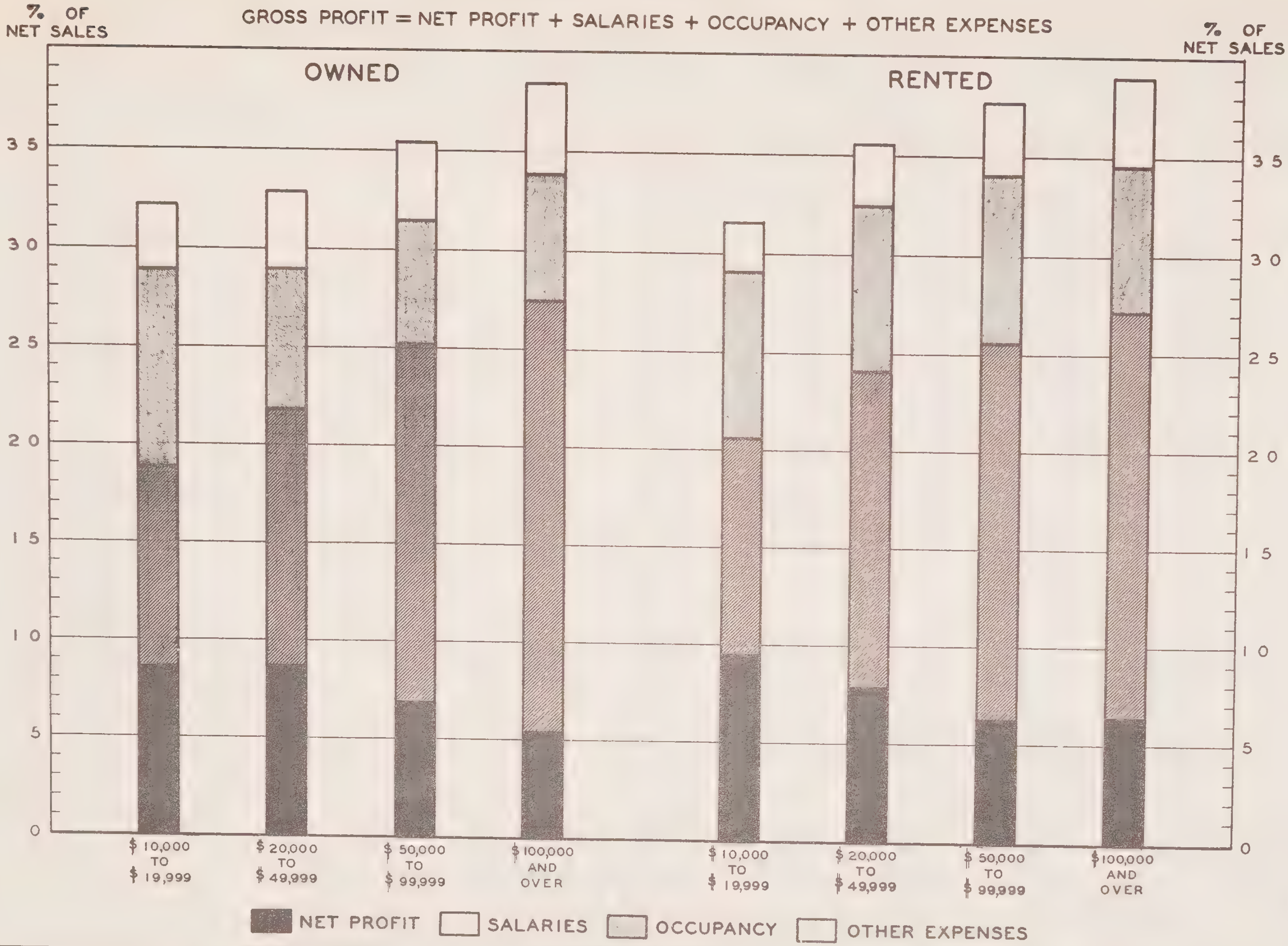


Table 6.--Restaurants - Operating Results Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED $10,000 to $19,999	OWNED $20,000 to $49,999	OWNED $50,000 to $99,999	OWNED $100,000 and Over	RENTED $10,000 to $19,999	RENTED $20,000 to $49,999	RENTED $50,000 to $99,999	RENTED $100,000 and Over
Number of restaurants reporting ...	7	22	11	7	28	90	73	26
Average net sales per restaurant $	15,519	33,090	66,051	163,430	15,454	34,667	72,199	135,224
Average cost of goods sold ...... $	10,522	22,200	42,699	100,734	10,565	22,333	44,982	82,440
Average beginning inventory ..... $	608	902	784	4,072	332	909	1,816	3,111
Average inventory, end of year .. $	716	904	652	5,272	362	735	1,908	2,831
PROFIT AND LOSS DATA								
(Per cent of net sales)								
Gross profit	32.20	32.91	35.36	38.36	31.64	35.58	37.69	39.03
Operating expenses:								
Employees' salaries and wages .	10.20	13.08	18.32	22.10	11.08	16.16	19.30	20.85
Taxes	.96	.97	.96	.86	.46	.44	.30	.40
Insurance	.69	.49	.54	.39	.23	.25	.29	.29
Rent	-	-	-	-	3.41	2.84	2.55	2.09
Heat, light and power	2.91	2.73	2.24	2.26	2.53	2.53	2.44	2.02
Repairs and maintenance	1.69	1.41	1.37	1.36	1.03	1.26	1.67	1.27
Depreciation allowances	3.89	1.62	1.19	1.54	.79	1.04	1.29	1.33
Store supplies	1.36	.96	.63	.91	.72	.99	.82	.72
Advertising	.09	.23	.29	.43	.08	.16	.27	.29
Bad debts (written off)	-	.03	-	-	.04	.04	-	-
(Less) amount recovered	-	-	-	-	-	-	-	-
Net bad debt loss	-	.03	-	-	.04	.04	-	-
All other expenses	1.77	2.73	2.92	3.11	1.79	2.01	2.44	3.34
Total operating expenses	23.56	24.25	28.46	32.96	22.16	27.72	31.37	32.60
Net trading profit before deduction of proprietors' salaries and income tax	8.64	8.66	6.90	5.40	9.48	7.86	6.32	6.43

Table 7.--Restaurants - Rented - Financial Structure by Size and Age of Business, December 31, 1948

(Item (*)) (Average per restaurant)	$20,000 - $49,999			$50,000 - $99,999			$100,000 and Over	Total all Sizes (over $20,000)
	Under 10 years	10 years & over	Total	Under 10 years	10 years & over	Total		
	$	$	$	$	$	$	$	$
Assets								
Current assets:								
Cash on hand or in bank	1,281	782	1,037	2,078	2,580	2,340	4,972	2,118
Net accounts receivable	283	23	156	63	45	54	30	96
Merchandise inventory	674	873	772	2,567	1,745	2,138	3,635	1,733
Other current assets	29	183	103	216	389	306	1,410	368
Total current assets	2,267	1,861	2,068	4,924	4,759	4,838	10,047	4,315
Net fixed assets	4,255	3,073	3,676	6,696	6,137	6,404	12,935	6,079
Other assets	1,277	482	888	1,298	883	1,082	770	953
Total assets	7,799	5,416	6,632	12,918	11,779	12,324	23,752	11,347
Liabilities and Net Worth:								
Current liabilities	1,191	970	1,083	2,644	2,380	2,506	6,272	2,386
Other liabilities	990	26	518	888	279	570	2,619	826
Total liabilities	2,181	996	1,601	3,532	2,659	3,076	8,891	3,212
Net Worth	5,618	4,420	5,031	9,386	9,120	9,248	14,861	8,135
Total Liabilities and Net Worth ...	7,799	5,416	6,632	12,918	11,779	12,324	23,752	11,347
Sales	33,383	34,777	34,066	69,279	76,992	73,303	145,464	65,665
Net Profit	2,624	2,733	2,678	4,378	4,866	4,633	9,353	4,406
Ratios:								
Current assets to current liabilities	1.90	1.92	1.91	1.86	2.00	1.93	1.60	1.81
Current assets to fixed assets ..	.53	.61	.56	.74	.78	.76	.78	.71
Net quick assets to net worth ...	.19	.20	.20	.24	.26	.25	.25	.24
Liabilities to net worth	.39	.23	.32	.38	.29	.33	.60	.39
Sales to net worth	5.94	7.87	6.77	7.38	8.44	7.93	9.79	8.07
Sales to fixed assets	7.85	11.32	9.27	10.35	12.54	11.45	11.25	10.80
Net profit to net worth	.47	.62	.53	.47	.53	.50	.63	.54

3. FUEL DEALERS

Firms included in this classification carried on the retail sale of coal as a principal activity, some of them selling lesser quantities of wood, ice or fuel oil.

Profit and loss information was returned by 246 unincorporated and 85 incorporated firms. Results have been summarized by sales-size classes for owned and rented businesses separately. Balance sheet items have been compiled for 151 unincorporated and 60 incorporated firms which contributed information.

Method of delivery and souce of supply introduce features which lead to variation in operating results for this trade. In this report, therefore, are tables showing operating results: (1) as between "own delivery" and "contract delivery" dealers, (2) by regions.

Summary observations are as follows:

1. Both unincorporated and incorporated fuel dealers operated on smaller gross margins in 1948 than in 1946, but were also able to reduce the proportion of sales devoted to operating expenses. In 1948, unincorporated dealers netted a profit, before allowing for proprietors' salaries, of 5.4% of sales compared with 5.0% in both 1945 and 1946. Incorporated businesses had a net profit of 2.1% of net sales in 1948, slightly lower than the 2.4% realized in 1946. (Table 8, page 23).

2. While the trend of gross profit in 1948 was somewhat irregular over the sales-size classes of unincorporated dealers, there was some evidence of a decline toward the upper end of the sales-size scale. Total operating expenses followed a similar pattern, ranging from 16.48% of sales to 14.76% in owned, and from 18.81% to 14.30% in rented business, progressing from the smaller to the larger dealers. Net profit ratios generally decreased in the larger businesses. Delivery costs, forming approximately half of total operating expenses, were irregular in trend and ranged from 7.13% to 10.00% of sales. (Table 9, page 25).

3. At December 31, 1948 unincorporated coal dealers averaged $1.93 and $2.60 current assets for every $1.00 of current liability for owned and rented businesses respectively. For every dollar of net worth, owned businesses transacted an average of $4.57 sales and rented businesses $5.57 sales. Dealers operating from owned premises averaged $9.08 sales for every $1.00 of fixed asset investment. Dealers in rented premises, with smaller investment in fixed assets, transacted $19.22 sales per $1.00 of fixed assets investment. (Table 11, page 27).

4. Fuel dealers of the incorporated type had a "current ratio" of almost 2 at the end of 1948. Current assets to current liabilities ratios were 1.90 to 1 for owned and 1.94 to 1 for rented businesses. Dealers operating from owned premises transacted $9.40 sales per $1.00 of capital and those using rented premises, $14.85. Sales to fixed assets were in the ratio of 9.67 to 1 and 29.61 to 1 for the two types of occupancy. The results of 'owned' dealers shown in this table represents only the one size range of $100,000 or more sales. (Table 12, page 28).

5. Unincorporated fuel dealers in the Prairies and British Columbia operated on higher gross margins than did those located in other regions of the country. They also spent proportionately more on delivery and had a higher net profit in 1948. With few exceptions, these higher ratios for Western firms held true for all size groups for which results are shown.

   Incorporated dealers in the Praires and British Columbia obtained much higher gross profit ratios, spent more on delivery and netted greater profits than did those in eastern Canada. (Table 13, page 29).

6. Both unincorporated and incorporated fuel dealers operating their own delivery equipment obtained greater gross profit ratios than did those whose delivery was done by contract. Total delivery cost was not significantly different between the two delivery methods.

   Wages paid to deliverymen formed 58.7% of total delivery cost in the case of unincorporated dealers performing their own delivery, and 58.3% of total delivery cost in the incorporated group. (Table 14, page 29).

Table 8. - Operating Results of Fuel Dealers - 1945, 1946, 1948

Item	UNINCORPORATED			INCORPORATED	
	1945	1946	1948	1946	1948
Dealers reporting .... No.	249	239	246	34	85
Average net sales .... $	64,300	64,413	94,817	166,627	231,468
Gross profit	20.1	21.1	20.4	21.5	19.9
Operating expenses	15.1	16.1	15.0	19.1	17.8
Net profit before deduction of income tax (1)	5.0	5.0	5.4	2.4	2.1

(1) For unincorporated, this ratio includes proprietors' salaries.

CHART 3.

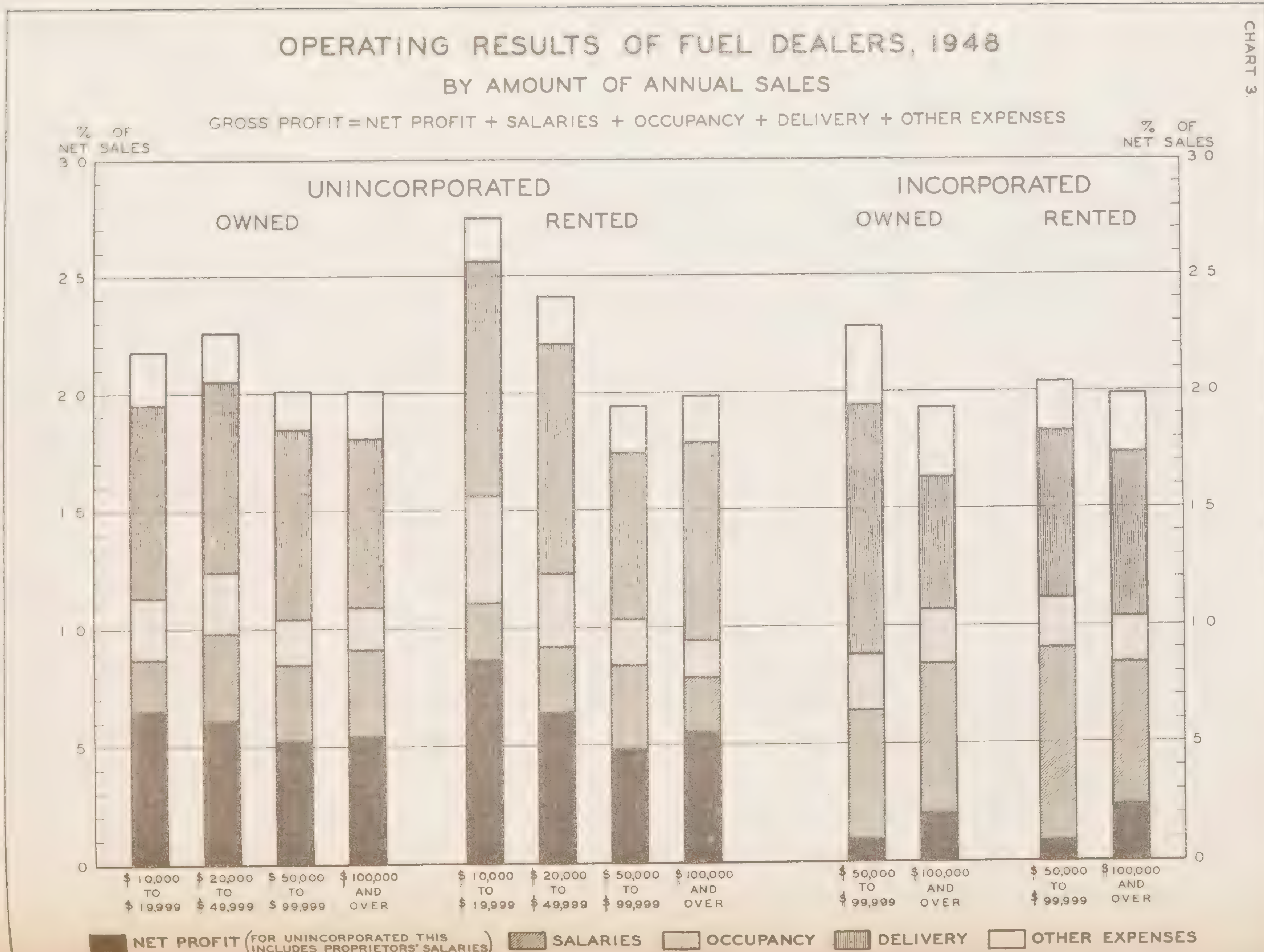

OPERATING RESULTS OF FUEL DEALERS, 1948
BY AMOUNT OF ANNUAL SALES
GROSS PROFIT = NET PROFIT + SALARIES + OCCUPANCY + DELIVERY + OTHER EXPENSES
% OF NET SALES
30
25
20
15
10
5
0
UNINCORPORATED
OWNED
RENTED
INCORPORATED
OWNED
RENTED
$10,000 TO $19,999
$20,000 TO $49,999
$50,000 TO $99,999
$100,000 AND OVER
$10,000 TO $19,999
$20,000 TO $49,999
$50,000 TO $99,999
$100,000 AND OVER
$50,000 TO $99,999
$100,000 AND OVER
$50,000 TO $99,999
$100,000 AND OVER
NET PROFIT (FOR UNINCORPORATED THIS INCLUDES PROPRIETORS' SALARIES)
SALARIES
OCCUPANCY
DELIVERY
OTHER EXPENSES

Table 9.--Fuel Dealers - Operating Results of Unincorporated Firms Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED				RENTED			
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of firms reporting	10	53	48	73	10	20	11	21
Average net sales .... $	15,316	34,368	71,102	174,991	15,212	33,189	73,576	168,469
Average cost of goods sold ...... $	11,976	26,613	56,819	139,785	11,029	25,187	59,298	135,064
Average beginning inventory ..... $	1,620	2,008	4,230	10,798	760	1,719	3,926	7,632
Average inventory, end of year .. $	2,030	2,608	5,599	14,610	1,008	2,339	5,968	9,591
Stock turnover (times per year) ...	6.56	11.53	11.56	11.00	12.48	12.41	11.99	15.68
PROFIT AND LOSS DATA								
(Per cent of net sales)								
Gross profit	21.80	22.56	20.09	20.12	27.50	24.11	19.41	19.82
Operating expenses:								
Employees' salaries and wages (except delivery)	2.20	3.75	3.25	3.68	2.40	2.84	3.63	2.26
Taxes	.53	.53	.39	.35	.59	.51	.24	.13
Insurance	.49	.44	.30	.32	.38	.50	.33	.24
Rent	-	-	-	-	1.77	1.05	.49	.37
Heat, light and power	.52	.34	.16	.15	.81	.40	.11	.10
Delivery	8.15	8.07	8.11	7.23	10.00	9.82	7.13	8.38
Repairs and maintenance	.41	.59	.43	.51	.24	.25	.36	.40
Depreciation allowances	.67	.68	.60	.51	.68	.42	.41	.32
Store supplies	.50	.34	.28	.28	.59	.27	.29	.27
Advertising	.24	.18	.19	.37	.16	.20	.48	.44
Bad debts - written off	.15	.12	.17	.20	.42	.14	.13	.16
(Less) amount recovered	-	-	-	.06	-	-	-	.04
Net bad debt loss	.15	.12	.17	.14	.42	.14	.13	.12
All other expenses	1.41	1.44	1.06	1.22	.77	1.33	.98	1.27
Total operating expenses	15.27	16.48	14.94	14.76	18.81	17.73	14.58	14.30
Net trading profit before deduction of proprietors' salaries and income tax	6.53	6.08	5.15	5.36	8.69	6.38	4.83	5.52

Table 10.--Fuel Dealers - Operating Results of Incorporated Firms Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED		RENTED	
	$50,000 to $99,999	$100,000 and Over	$50,000 to $99,999	$100,000 and Over
Number of firms reporting	9	26	12	33
Average net sales per firm $	76,890	249,081	79,859	344,715
Average cost of goods sold $	59,393	201,143	63,599	276,004
Average beginning inventory $	2,270	16,357	5,493	12,777
Average inventory, end of year $	2,544	18,825	5,657	15,548
Stock turnover (times per year)	24.68	11.43	11.41	19.49
PROFIT AND LOSS DATA				
(Per cent of net sales)				
Gross profit	22.76	19.25	20.36	19.93
Operating expenses:				
Employees' salaries and wages (except delivery)	5.46	6.37	8.24	6.14
Taxes	.63	.36	.35	.22
Insurance	.49	.42	.29	.29
Rent	-	-	.56	.45
Heat, light and power	.15	.13	.16	.10
Delivery	10.64	5.56	7.06	6.95
Repairs and maintenance	.53	.58	.53	.50
Depreciation allowances	.59	.85	.30	.36
Store supplies	.42	.24	.32	.34
Advertising	.47	.36	.33	.39
Bad debts - written off	.09	.08	.14	.13
(Less) amount recovered	-	-	-	-
Net bad debt loss	.09	.08	.14	.13
All other expenses	2.36	2.30	1.27	1.72
Total operating expenses	21.83	17.25	19.55	17.59
Net trading profit before deduction of income tax	.93	2.00	.81	2.34

Table 11.--Fuel Dealers - Financial Structure of Unincorporated Firms by Size and Occupancy, December 31, 1948

Item (*) (Average per dealer)	OWNED $20,000 to $49,999	OWNED $50,000 to $99,999	OWNED $100,000 and Over	OWNED Total all Sizes (over $20,000)	RENTED $20,000 to $49,999	RENTED $100,000 and Over	RENTED Total all Sizes (over $20,000)
Assets	$	$	$	$	$	$	$
Current assets:							
Cash on hand or in bank	936	2,342	3,936	2,836	1,474	5,633	3,975
Net accounts receivable	1,983	6,721	12,897	8,781	3,356	14,819	10,026
Merchandise inventory	3,085	5,798	15,726	10,116	2,932	10,190	7,556
Other current assets	390	1,157	2,030	1,428	732	1,168	1,477
Total current assets	6,394	16,018	34,589	23,161	8,494	31,810	23,034
Net fixed assets	6,190	9,211	15,102	11,484	2,874	9,005	5,884
Other assets	932	1,762	1,966	1,692	83	4,212	2,317
Total assets	13,516	26,991	51,657	36,337	11,451	45,027	31,235
Liabilities and Net Worth:							
Current liabilities	4,071	7,741	17,967	12,009	4,545	12,969	8,873
Other liabilities	850	1,443	1,833	1,513	1,123	2,944	2,048
Total liabilities	4,921	9,184	19,800	13,522	5,668	15,913	10,921
Net Worth	8,595	17,807	31,857	22,815	5,783	29,114	20,314
Total Liabilities and Net Worth ...	13,516	26,991	51,657	36,337	11,451	45,027	31,235
Sales	35,195	68,703	155,116	104,257	37,325	169,547	113,116
Net Profit	2,140	3,538	8,314	5,596	2,381	9,359	6,212
Ratios:							
Current assets to current liabilities	1.57	2.07	1.93	1.93	1.87	2.45	2.60
Current assets to fixed assets ..	1.03	1.74	2.29	2.02	2.96	3.53	3.91
Net quick assets to net worth ...	.27	.46	.52	.49	.68	.65	.70
Liabilities to net worth	.57	.52	.62	.59	.98	.55	.54
Sales to net worth	4.09	3.86	4.87	4.57	6.45	5.82	5.57
Sales to fixed assets	5.69	7.46	10.27	9.08	12.99	18.83	19.22
Net profit to net worth	.25	.20	.26	.25	.41	.32	.31

(x) See definitions on page 5 for more detail description.

Table 12.--Fuel Dealers - Financial Structure of Incorporated Firms by Size and Occupancy, December 31, 1948

Item (*) (Average per dealer)	OWNED	RENTED		
	$100,000 and Over	$50,000 to $99,999	$100,000 and Over	Total all Sizes (over $20,000)
	$	$	$	$
Assets				
Current assets:				
Cash on hand or in bank	6,449	1,540	2,794	2,552
Net accounts receivable	19,439	7,195	45,830	35,444
Merchandise inventory	19,012	5,581	16,502	13,412
Other current assets	3,624	2,593	12,210	9,543
Total current assets	48,524	16,909	77,336	60,951
Net fixed assets	28,817	3,482	12,024	9,780
Other assets	3,004	4,258	5,809	5,482
Total assets	80,345	24,649	95,169	76,213
Liabilities and Net Worth:				
Current liabilities	25,568	8,649	39,835	31,499
Other liabilities	8,870	2,258	9,020	7,122
Total liabilities	34,438	10,907	48,855	38,621
Net Worth	45,907	13,742	46,314	37,592
Total Liabilities and Net Worth	80,345	24,649	95,169	76,213
Sales	278,722	80,631	367,060	289,586
Net Profit	5,574	653	8,589	6,466
Ratios:				
Current assets to current liabilities	1.90	1.96	1.94	1.94
Current assets to fixed assets	1.68	4.86	6.43	6.23
Net quick assets to net worth	.50	.60	.81	.78
Liabilities to net worth	.75	.79	1.05	1.03
Sales to capital	9.40	6.47	16.54	14.85
Sales to fixed assets	9.67	23.16	30.53	29.61
Net profit to net worth	.12	.48	.19	.17

(*) See definitions on page 5 for more detail description.

Table 13.--Fuel Dealers - Comparison of Gross Profit, Delivery and Net Profit by Size of Business and Region, 1948

Item	INCORPORATED	UNINCORPORATED			
	Total	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total
GROSS PROFIT					
Maritimes	18.08	23.39	26.89	20.27	21.83
Quebec	14.97	23.82	17.21	22.37	22.19
Ontario	18.83	21.10	18.54	19.03	19.07
Prairies	23.67				
British Columbia .	29.60	25.06	25.11	25.03	25.06
DELIVERY EXPENSE					
Maritimes	7.24	5.94	9.89	8.35	8.15
Quebec	6.23	9.71	6.58	7.01	7.61
Ontario	5.76	7.45	7.51	7.19	7.27
Prairies	7.29				
British Columbia .	9.92	9.46	9.68	10.71	10.15
NET PROFIT					
Maritimes	1.45	6.08	7.78	4.32	5.16
Quebec	.65	4.64	3.88	4.09	4.20
Ontario	2.16	6.33	4.93	5.80	5.67
Prairies	4.26				
British Columbia .	2.85	8.80	5.76	4.68	5.79

(Items expressed as percentage of net sales).

Table 14.--Fuel Dealers - Delivery Expense of Unincorporated and Incorporated Firms by Type of Delivery, 1948

Item	UNINCORPORATED					INCORPORATED	
	Own Delivery				Contract Delivery	Own Delivery	Contract Delivery
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total over $20,000	Total over $20,000	Total over $20,000	Total over $20,000
Gross profit.........	23.71	20.40	20.30	20.72	18.81	20.45	19.04
Delivery expense:							
Salaries	4.61	4.64	4.35	4.43	.92	3.97	.43
Repairs and maintenance	1.37	1.06	1.16	1.17	.37	1.14	.20
Depreciation, licenses and insurance	1.31	.87	.79	.87	.24	.70	.26
Supplies used (gas, oil, grease)	1.62	1.21	1.00	1.11	.35	.95	.16
Total amount paid contract delivery	-	-	-	-	5.85	-	5.43
Total delivery expense	8.91	7.78	7.30	7.58	7.73	6.76	6.48
Net profit	6.25	5.21	5.72	5.69	4.61	1.61	2.81

(Items expressed as percentage of net sales).

4. DRUG STORES

Drug stores used in this study were those without soda fountain facilities. Usable reports on the profit and loss statement were received from 466 unincorporated stores and from 57 incorporated firms. These were segregated into sales-size groups for owned and rented categories. In some size classes there were too few reporting firms to permit publication of their results. With the exception of three returns, incorporated firms were in the rented class.

Of the above, 269 unincorporated firms in the three largest size classes completed balance sheet data and, for the same sizes, 44 incorporated firms submitted this information.

Operating ratios and financial structure of drug stores for 1948 are summarized below:

1. Unincorporated drug stores obtained slightly greater gross margins in 1948 than in 1945 and 1946 - 28.4% for 1948 and 27.2% for the other two years. This advantage was more than offset by higher expenses (particularly in salaries and 'other' expenses) so that a smaller net profit of 11.7% resulted in 1948 compared with 13.2% and 12.2% for 1945 and 1946.

   Incorporated drug stores operated on slightly smaller gross profits in 1948 than in 1946. Total operating expenses rose from 23.9% of sales in 1946 to 27.5% in 1948. Net profit, therefore, was much smaller in 1948 (5.6%) than in 1946 (9.6%). Table 15, page 31).

2. In 1948, the trend of gross profit over the different size ranges in both occupancy categories of unincorporated stores was irregular. Salary expense ratio increased as volume of business expanded while occupancy expense ratios generally decreased. Net profit, expressed as a percentage of net sales, was fairly constant for all sizes and ranged from 11.37% to 13.63% of net sales. (Table 16, page 33).

3. Salary expense of incorporated stores includes executive salaries, while the withdrawals of unincorporated store proprietors are not included in expenses but in net profit. Omitting salaries, incorporated firms had greater expenses in proportion to sales than did unincorporated stores in the three sizes of rented stores shown. Net profit of incorporated firms ranged from 1.93% of sales in the smallest size class to 6.48% in the largest. (Table 17, page 34).

4. The different age, size and occupancy groups of unincorporated drug stores had current assets ranging from \$2.25 to \$4.24 for every \$1.00 of current liability. At the end of 1948, 43¢ of every \$1.00 net worth in 'owned' stores was available as working capital. In rented stores, 84¢ of every \$1.00 net worth was free from current obligation.

   Businesses in operation for 10 years or longer derived greater sales volume in terms of fixed assets than did younger establishments. Businesses of larger annual sales volume had this same advantage over smaller businesses. The all-sizes average was \$4.46 sales per \$1.00 fixed asset investment for owned stores and \$25.40 per \$1.00 for rented stores. (Tables 18 and 19, pages 35 and 36).

5. All sizes of incorporated stores showed favourable ratios of current assets to current liabilities, the range extending from 3.94 to 4.72. Net quick assets, or working capital, was in all cases a large percentage of net worth with an all-sizes average of 83%. In all size classes, total liabilities were less than 50% of net worth.

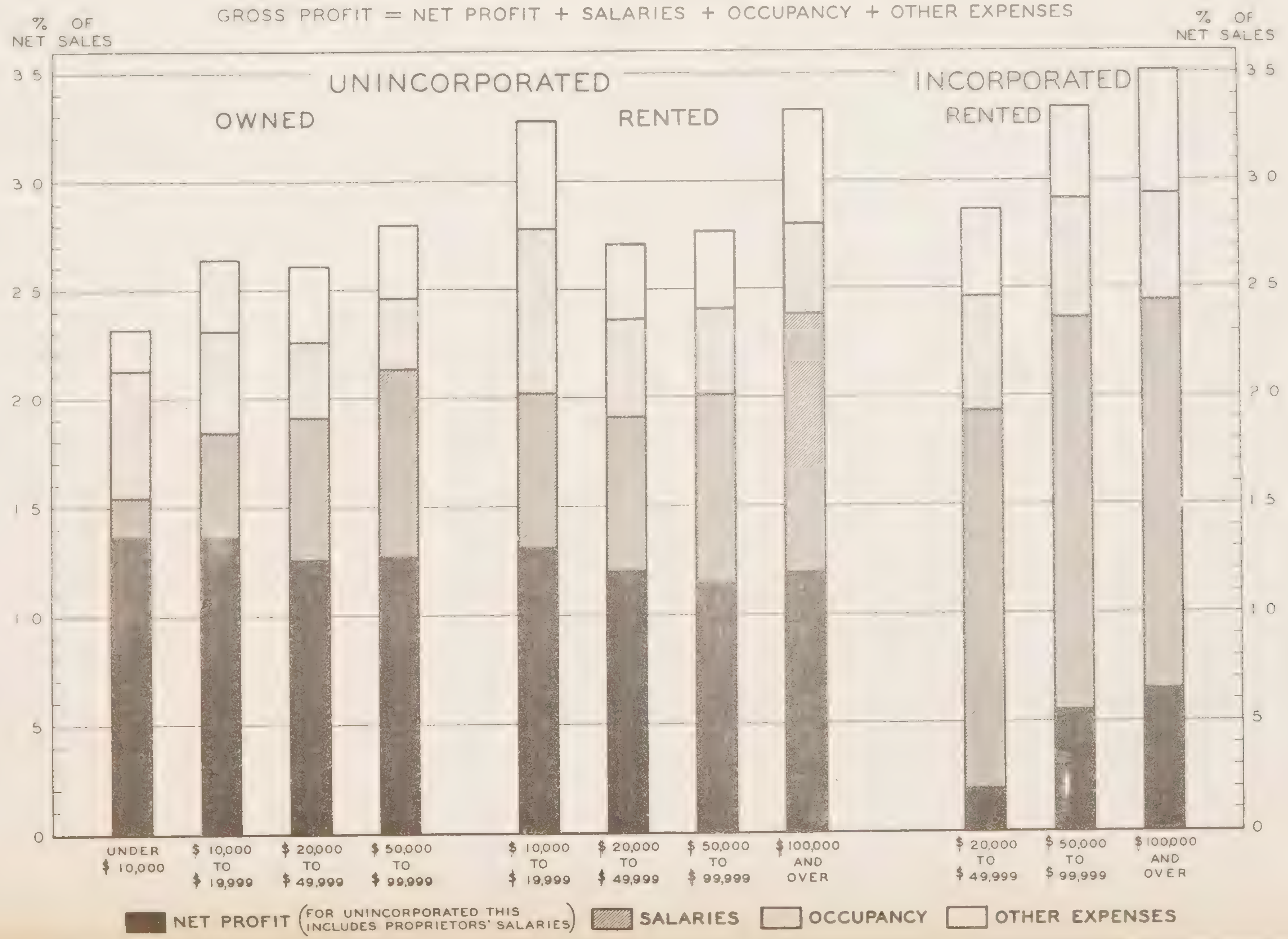
   With a small investment in fixed assets, rented stores of the incorporated type of organization averaged \$25.69 net sales per \$1.00 of fixed assets. Every dollar of capital investment in incorporated drug stores represented \$5.62 in sales. (Table 20, page 37).

Table 15. - Operating Results of Drug Stores - 1945, 1946, 1948

Item	UNINCORPORATED			INCORPORATED	
	1945	1946	1948	1946	1948
Stores reporting .... No.	546	576	466	59	57
Average net sales per store ..... \$	34,286	40,373	47,382	71,976	81,416
Average beginning inventory ..... \$	6,480	7,065	8,827	13,865	18,918
Average inventory, end of year .. \$	6,891	7,953	9,268	15,852	19,119
Stock turnover ... (times per year)	3.7	3.9	3.8	3.2	2.9
Gross profit	27.2	27.2	28.4	33.5	33.1
Operating expenses:					
Employees' salaries and wages ...	7.0	7.8	8.7	15.3	17.7
Occupancy	4.0	3.9	3.9	4.7	5.1
Store supplies	0.6	0.7	0.6	0.8	0.5
Advertising	0.6	0.8	0.9	0.8	1.1
All other expenses	1.8	1.8	2.6	2.3	3.1
Total operating expenses	14.0	15.0	16.7	23.9	27.5
Net profit before deduction of income tax (1)	13.2	12.2	11.7	9.6	5.6

(1) For unincorporated stores this ratio includes proprietors' salaries.

CHART 4



OPERATING RESULTS OF DRUG STORES, 1948

BY AMOUNT OF ANNUAL SALES

Table 16.--Drug Stores - Operating Results of Unincorporated Stores Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED				RENTED			
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	10	47	91	33	23	140	101	14
Average net sales per store ..... $	8,147	15,400	34,647	68,183	15,172	34,959	67,346	134,089
Average cost of goods sold ...... $	6,259	11,339	25,616	49,066	10,202	25,471	48,686	89,466
Average beginning inventory ..... $	2,353	4,580	6,982	10,959	4,021	7,489	12,409	21,811
Average inventory, end of year .. $	2,503	4,752	7,394	12,104	4,276	7,869	12,695	22,767
Stock turnover (times per year) ...	2.58	2.43	3.56	4.25	2.40	3.32	3.88	4.01
PROFIT AND LOSS DATA								
(Per cent of net sales)								
Gross profit	23.17	26.36	26.06	28.04	32.76	27.14	27.71	33.28
Operating expenses:								
Employees' salaries and wages .	1.77	4.77	6.54	8.60	7.08	7.11	8.72	11.86
Taxes	.96	.95	.62	.53	.68	.32	.25	.22
Insurance	.65	.76	.55	.45	.46	.42	.43	.35
Rent	-	-	-	-	4.37	2.31	1.93	1.92
Heat, light and power	1.86	1.41	.95	.78	.96	.62	.47	.37
Repairs and maintenance	.96	.78	.58	.70	.75	.45	.42	.96
Depreciation allowances	1.48	.76	.77	.80	.33	.38	.45	.35
Store supplies	.52	.59	.58	.52	.94	.56	.56	.52
Advertising	.12	.49	.63	.80	1.43	.67	.84	1.42
Bad debts - written off	.16	.23	.04	.03	.69	.04	.05	.06
(Less) amount recovered	.01	.02	-	-	.45	-	-	.01
Net bad debt loss	.15	.21	.04	.03	.24	.04	.05	.05
All other expenses	1.07	2.06	2.19	2.14	2.44	2.30	2.22	3.36
Total operating expenses	9.54	12.78	13.45	15.35	19.68	15.18	16.34	21.38
Net trading profit before deduction of proprietors' salaries and income tax	13.63	13.58	12.61	12.69	13.08	11.96	11.37	11.90

Table 17.--Drug Stores - Operating Results of Unincorporated and Incorporated Rented Stores Compared, 1948

Item	UNINCORPORATED			INCORPORATED		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	140	101	14	17	25	11
Average net sales per store ..... $	34,959	67,346	154,089	38,369	71,924	171,851
Average cost of goods sold ...... $	25,471	48,686	89,466	27,395	47,890	111,510
Average beginning inventory ..... $	7,489	12,409	21,811	8,955	17,009	39,794
Average inventory, end of year .. $	7,869	12,595	22,767	9,316	17,222	39,098
Stock turnover (times per year) ...	3.32	3.88	4.01	3.00	2.80	2.83
PROFIT AND LOSS DATA						
(Per cent of net sales)						
Gross profit	27.14	27.71	33.28	28.60	33.42	35.11
Employees' salaries and wages ...	7.11	8.72	11.56	17.42	18.11	17.93
Taxes	.32	.25	.22	.29	.40	.45
Insurance	.42	.43	.35	.40	.45	.55
Rent	2.31	1.93	1.92	2.93	3.35	2.88
Heat, light and power	.62	.47	.37	.88	.62	.38
Repairs and maintenance	.45	.42	.96	.35	.29	.29
Depreciation allowances	.38	.45	.35	.41	.46	.44
Store supplies	.56	.56	.52	.61	.50	.50
Advertising	.67	.84	1.42	.57	.79	1.59
Bad debts - written off	.04	.05	.06	.06	.08	.21
(Less) amount recovered	-	-	.01	-	-	-
Net bad debt loss	.04	.05	.05	.06	.08	.21
All other expenses	2.30	2.22	3.36	2.75	2.90	3.41
Total operating expenses	15.18	16.34	21.38	26.67	27.95	28.63
Net trading profit before deduction of income tax (1)	11.96	11.37	11.90	1.93	5.47	6.48

(1) For unincorporated stores this ratio includes proprietors' salaries.

Table 18.--Drug Stores - Owned - Financial Structure of Unincorporated Stores by Size and Age of Business, December 31, 1948

Item (*) (Average per store)	$20,000 - $49,999			$50,000 to $99,999	Total all Sizes (over $20,000)
	Under 10 years	10 years & over	Total		
Assets	$	$	$	$	$
Current assets:					
Cash on hand or in bank	1,151	2,307	2,102	3,782	3,981
Net accounts receivable	288	557	510	842	899
Merchandise inventory	6,916	7,834	7,672	12,889	10,953
Other current assets	8	731	604	1,052	1,959
Total current assets	8,363	11,429	10,888	18,565	17,792
Net fixed assets	7,654	8,068	7,995	13,474	14,695
Other assets	67	344	295	302	775
Total assets	16,084	19,841	19,178	32,341	33,262
Liabilities and Net Worth:					
Current liabilities	3,710	3,368	3,428	6,783	7,654
Other liabilities	1,850	889	1,059	2,682	2,216
Total liabilities	5,560	4,257	4,487	9,465	9,870
Net Worth	10,524	15,584	14,691	22,876	23,392
Total Liabilities and Net Worth	16,084	19,841	19,178	32,341	33,262
Sales	30,559	36,495	35,448	67,067	65,493
Net Profit	3,853	4,602	4,470	8,511	7,182
Ratios:					
Current assets to current liabilities	2.25	3.39	3.18	2.74	2.32
Current assets to fixed assets ...	1.09	1.42	1.36	1.38	1.21
Net quick assets to net worth	.44	.52	.51	.52	.43
Liabilities to net worth	.53	.27	.31	.41	.42
Sales to net worth	2.90	2.34	2.41	2.93	2.80
Sales to fixed assets	3.99	4.52	4.43	4.98	4.46
Net profit to net worth	.37	.30	.30	.37	.31

(*) See definitions on page 5 for more detail description.

Table 19.--Drug Stores - Rented - Financial Structure of Unincorporated Stores by Size and Age of Business, December 31, 1948

Item (*) (Average per store)	$20,000 to $49,999			$50,000 - $99,999			$100,000 and Over	Total all Sizes (over $20,000)
	Under 10 years	10 years & over	Total	Under 10 years	10 years & over	Total		
Assets	$	$	$	$	$	$	$	$
Current assets:								
Cash on hand or in bank	1,562	2,083	1,915	3,428	3,459	3,450	5,429	2,717
Net accounts receivable	484	546	526	772	1,096	1,005	3,814	907
Merchandise inventory	7,289	8,011	7,777	13,951	13,015	13,279	20,481	10,660
Other current assets	755	391	509	456	702	632	992	586
Total current assets	10,090	11,031	10,727	18,607	18,272	18,366	30,716	14,870
Net fixed assets	1,939	1,613	1,718	3,352	2,095	2,449	3,687	2,118
Other assets	671	439	514	941	1,261	1,172	2,389	879
Total assets	12,700	13,083	12,959	22,900	21,628	21,987	36,792	17,867
Liabilities and Net Worth:								
Current liabilities	3,148	2,599	2,777	4,475	5,587	5,274	8,742	4,097
Other liabilities	1,196	201	522	2,550	316	945	4,502	923
Total liabilities	4,344	2,800	3,299	7,025	5,903	6,219	13,244	5,020
Net worth	8,356	10,283	9,660	15,875	15,725	15,768	23,548	12,847
Total Liabilities and Net Worth	12,700	13,083	12,959	22,900	21,628	21,987	36,792	17,867
Sales	34,080	36,391	35,644	67,233	69,131	68,597	126,651	53,800
Net Profit	4,076	4,352	4,263	7,644	7,860	7,799	15,071	6,274
Ratios:								
Current assets to current liabilities	3.21	4.24	3.86	4.16	3.27	3.48	3.51	3.63
Current assets to fixed assets	5.20	6.84	6.24	5.55	8.72	7.50	8.33	7.02
Net quick assets to net worth	.80	.82	.82	.89	.81	.83	.93	.84
Liabilities to net worth	.52	.27	.34	.44	.38	.39	.56	.39
Sales to net worth	4.08	3.54	3.69	4.24	4.40	4.35	5.38	4.19
Sales to fixed assets	17.58	22.56	20.75	20.06	33.00	28.01	34.35	25.40
Net profit to net worth	.49	.42	.44	.48	.50	.49	.64	.49

(*) See definitions on page 5 for more detail description.

Table 20.--Drug Stores - Financial Structure of Incorporated Rented Stores by Size of Business, December 31, 1948

Item (*) (Average per store)	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over	Total all Sizes (over $20,000)
Assets	$	$	$	$
Current assets:				
Cash on hand or in bank	2,815	5,462	6,333	4,817
Net accounts receivable	882	2,264	7,347	2,979
Merchandise inventory	8,927	17,788	39,990	20,015
Other current assets	815	2,109	5,099	2,377
Total current assets	13,439	27,623	58,769	30,188
Net fixed assets	1,578	2,971	6,421	3,312
Other assets	1,046	2,962	13,213	4,682
Total assets	16,063	33,556	78,403	38,182
Liabilities and Net Worth:				
Current liabilities	2,846	7,009	14,755	7,445
Other liabilities	1,862	1,265	9,364	3,295
Total liabilities	4,708	8,274	24,119	10,740
Capital	6,824	12,186	32,680	15,138
Surplus	4,531	13,096	21,604	12,304
Net Worth	11,355	25,282	54,284	27,442
Total Liabilities and Net Worth	16,063	33,556	78,403	38,182
Sales	38,137	73,525	173,985	85,097
Net Profit	736	4,022	11,274	4,625
Ratios:				
Current assets to current liabilities.	4.72	3.94	3.98	4.05
Current assets to fixed assets	8.52	9.30	9.15	9.11
Net quick assets to net worth	.93	.82	.81	.83
Liabilities to net worth	.41	.33	.44	.39
Sales to capital	5.59	6.03	5.32	5.62
Sales to fixed assets	24.17	24.75	27.10	25.69
Net profit to net worth	.07	.16	.21	.17

(*) See definitions on page 5 for more detail description.

5. JEWELLERY STORES

Reports satisfactorily completed as to profit and loss data were received from 274 jewellery stores of the unincorporated type of organization and from 46 incorporated firms. These returns were separated into owned and rented categories and within each occupancy group tabulation was made by sales-size. In the unincorporated group there were too few reports in the sales-size of $100,000 or over in both owned and rented classes to permit publication of results. Of the 46 returns from incorporated firms, 42 were in the rented class and came within the three largest size groups.

Balance sheet data were received from 134 unincorporated stores in the three largest sales-size classes but here also it was impossible to publish results for stores with sales of $100,000 or over. However, these were included in the total. Few incorporated firms completed the balance sheet and results could not be prepared.

The operating results and financial structure of jewellery stores in 1948 are summarized as follows:

1. While the gross profit ratio was increased in 1948 over 1946, for both unincorporated and incorporated jewellery stores, relatively greater operating expense increases caused a reduction in net profit. The greatest expenditure increases from 1946 took place in salaries and wages paid to employees and and in occupancy costs. With increased dollar volume of stocks and lessened average sales the rate of stock turnover slowed down to 1.5 times for unincorporated and 1.6 times per year for incorporated stores. The turnover rate was about twice per year in 1946. (Table 21, page 39).

2. In 1948, unincorporated stores showed an upward trend in salaries and advertising expense ratios with increased sales. The occupancy items of taxes, insurance, rent, heat, light and power, repairs and depreciation decreased (in ratio to sales) in the larger sized stores. The greater ratio of salaries in the larger classes affected the trend of total operating expenses which ranged from 16.99% of net sales in small owned stores to almost 26.87% in the largest of the rented stores. The rate of stock turnover also increased with expanding dollar volume of sales. (Table 22, page 41).

3. Salaries of incorporated firms decreased in proportion to net sales in the larger size categories ranging from 23.53% to 20.70% of sales. Occupancy expenses followed a similar trend, while advertising expense showed the only substantial increase in ratio in the larger stores. Net profit ranged from a low of 1.47% in the smallest size of store to 5.50% in the largest. (Table 23, page 42).

4. Unincorporated jewellery stores were in a favourable position at December 31, 1948 in the relationship between current assets and current liabilities. Rented stores had $3.68 current assets to meet every $1.00 current obligation and owned stores had $2.66. In owned stores net quick assets or working capital was 61% of net worth and rented stores, with less capital tied up in fixed assets, had 89¢ **working capital for every $1.00 of net worth. (Table 24, page 43).**

Table 21. - Operating Results of Jewellery Stores - 1945-1946, 1948

Item	UNINCORPORATED			INCORPORATED	
	1945	1946	1948	1946	1948
Stores reporting .... No.	339	344	274	43	46
Average net sales per store .... $	32,070	36,169	33,476	119,157	110,000
Average beginning inventory .... $	8,178	9,852	13,557	28,811	40,593
Average inventory, end of year . $	9,974	13,064	14,329	39,629	41,493
Stock turnover .. (times per year)	2.2	2.0	1.5	2.1	1.6
Gross profit	38.6	37.1	39.1	38.7	40.8
Operating expenses:					
Salaries and wages	9.7	10.1	11.9	16.3	21.2
Occupancy	5.2	5.0	6.0	4.9	7.1
Store supplies	1.2	1.2	1.0	1.2	1.1
Advertising	1.5	1.6	1.8	2.7	3.2
All other expenses	3.0	2.8	3.1	3.0	3.8
Total operating expenses	20.6	20.7	23.8	28.1	36.4
Net profit before deduction of income tax (1)	18.0	16.4	15.3	10.6	4.4

(1) For unincorporated stores this includes proprietors' salaries.

CHART 5.

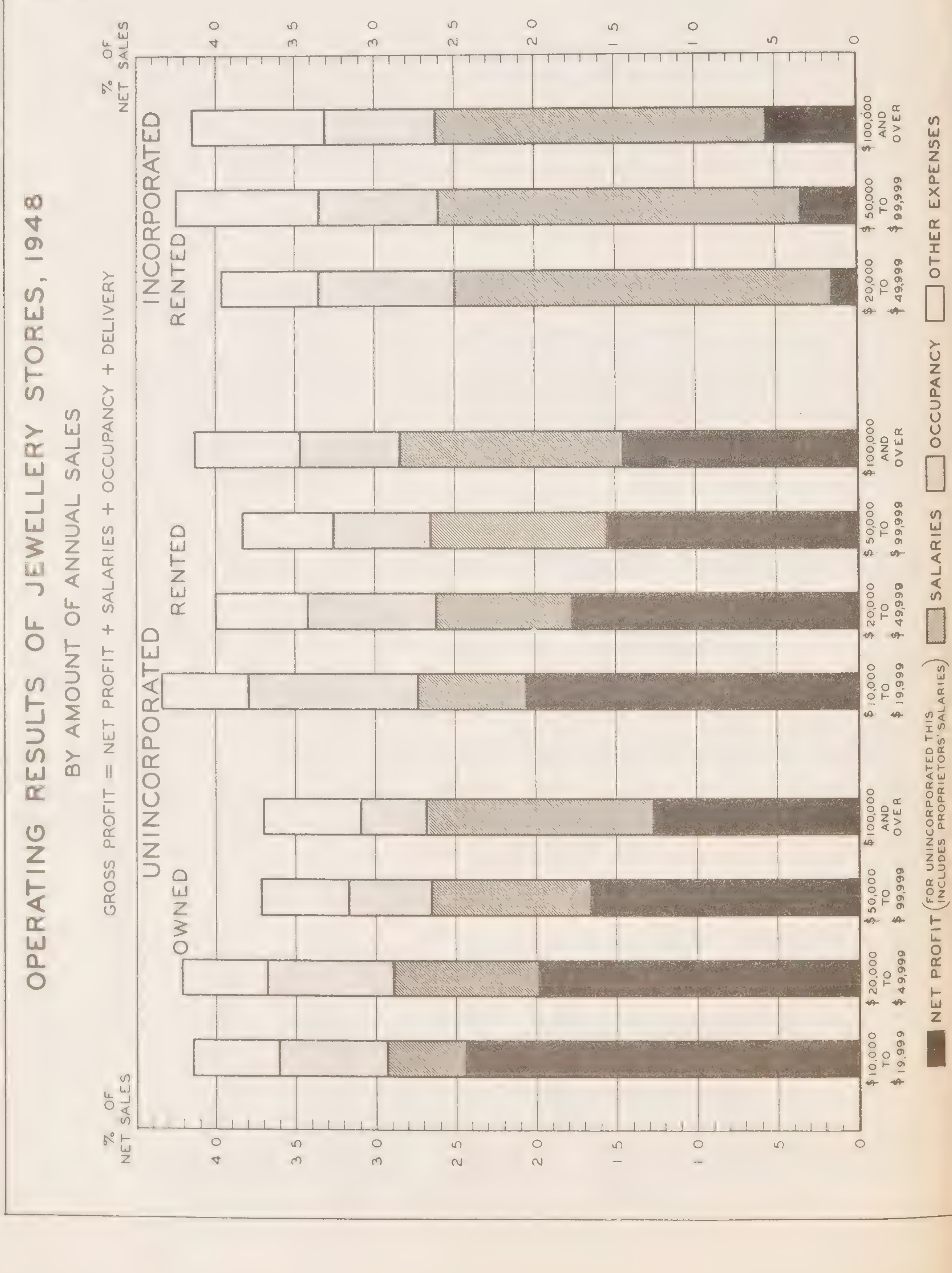

OPERATING RESULTS OF JEWELLERY STORES, 1948
BY AMOUNT OF ANNUAL SALES
GROSS PROFIT = NET PROFIT + SALARIES + OCCUPANCY + DELIVERY
UNINCORPORATED
OWNED
RENTED
INCORPORATED
RENTED
% OF NET SALES
40
35
30
25
20
15
10
5
0
$10,000 TO $19,999
$20,000 TO $49,999
$50,000 TO $99,999
$100,000 AND OVER
NET PROFIT (FOR UNINCORPORATED THIS INCLUDES PROPRIETORS' SALARIES)
SALARIES
OCCUPANCY
OTHER EXPENSES

Table 22.--Jewellery Stores - Operating Results of Unincorporated Stores Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED				RENTED			
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999
Number of stores	9	16	26	17	16	56	93	36
Average net sales per store $	7,538	15,810	28,478	67,602	7,361	15,963	30,559	69,205
Average cost of goods sold $	4,418	9,138	17,894	42,564	4,167	9,585	18,865	40,595
Average beginning inventory $	3,356	7,660	12,162	19,907	5,605	8,233	13,108	25,991
Average inventory, end of year $	3,799	7,735	12,666	20,524	6,100	8,730	13,727	28,359
Stock turnover (times per year)	1.23	1.19	1.44	2.11	.68	1.13	1.41	1.49
PROFIT AND LOSS DATA								
(Per cent of net sales)								
Gross profit	41.39	42.20	37.16	37.04	43.39	39.95	38.27	41.34
Operating expenses:								
Employees' salaries and wages	4.89	9.13	9.91	14.13	6.68	8.47	10.96	13.90
Taxes	1.90	1.31	.86	.76	.75	.56	.43	.36
Insurance	.91	1.18	.89	.83	.91	.92	.67	.70
Rent	-	-	-	-	5.84	4.12	3.08	3.60
Heat, light and power	2.00	1.81	1.15	.81	1.25	1.06	.69	.59
Repairs and maintenance	1.01	1.55	1.03	.73	.64	.68	.48	.39
Depreciation allowances	.93	2.09	1.22	.94	1.18	.66	.77	.63
Store supplies	.97	1.29	1.14	.90	1.34	.92	1.02	1.02
Advertising	.82	.94	1.44	1.82	1.67	1.59	1.65	2.40
Bad debts - written off	-	-	.20	.38	.02	.10	.08	.26
(Less) amount recovered	-	-	-	-	-	-	-	-
Net bad debt loss	-	-	.20	.38	.02	.10	.08	.26
All other expenses	3.56	3.15	2.69	3.02	2.52	3.20	2.95	3.02
Total operating expenses	16.99	22.45	20.53	24.32	22.80	22.28	22.78	26.87
Net trading profit before deduction of proprietors' salaries and income tax	24.40	19.75	16.63	12.72	20.59	17.67	15.49	14.47

Table 23.--Jewellery Stores - Operating Results of Unincorporated and Incorporated Rented Stores Compared, 1948

Item	UNINCORPORATED		INCORPORATED		
	$20,000 to $49,999	$50,000 to $99,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and Over
Number of stores reporting	93	36	15	13	14
Average net sales per store ..... $	30,559	69,205	38,068	78,208	230,415
Average cost of goods sold ...... $	18,865	40,595	22,978	44,976	134,763
Average beginning inventory ..... $	13,108	25,991	19,648	42,048	64,193
Average inventory, end of year .. $	13,727	28,359	21,782	42,043	66,265
Stock turnover (times per year) ...	1.41	1.49	1.11	1.07	2.07
PROFIT AND LOSS DATA (Per cent of net sales)					
Gross profit	38.27	41.34	39.64	42.49	41.51
Operating expenses:					
Employees' salaries and wages .	10.96	13.90	23.53	22.57	20.70
Taxes	.43	.36	.63	.45	.49
Insurance	.67	.70	1.07	.82	.76
Rent	3.08	3.60	4.67	4.09	3.85
Heat, light and power	.69	.59	.77	.76	.46
Repairs and maintenance	.48	.39	.37	.59	.50
Depreciation allowances	.77	.63	.94	.77	.84
Store supplies	1.02	1.02	.94	1.29	1.10
Advertising	1.65	2.40	1.86	3.26	3.58
Bad debts - written off	.08	.26	.03	.18	.43
(Less) amount recovered	-	-	.02	-	-
Net bad debt loss	.08	.26	.01	.18	.43
All other expenses	2.95	3.02	3.38	4.29	3.30
Total operating expenses	22.78	26.87	38.17	39.07	36.01
Net trading profit before deduction of income tax (1)	15.49	14.47	1.47	3.42	5.50

(1) For unincorporated stores this ratio includes proprietors' salaries.

Table 24.--Jewellery Stores - Financial Structure of Unincorporated Stores by Size of Business, December 31, 1948

Item (*) (Average per store)	OWNED $20,000 to $49,999	OWNED $50,000 to $99,999	OWNED Total	RENTED $20,000 to $49,999	RENTED $50,000 to $99,999	RENTED Total
Assets	$	$	$	$	$	$
Current assets:						
Cash on hand or in bank	3,504	5,944	4,448	3,528	7,237	4,904
Net accounts receivable	1,260	3,960	2,305	1,160	3,912	2,224
Merchandise inventory	12,157	19,804	15,117	13,856	30,724	19,744
Other current assets	284	1,866	897	968	2,348	1,363
Total current assets	17,205	31,574	22,767	19,512	44,221	28,235
Net fixed assets	10,581	12,064	11,155	1,841	4,114	2,562
Other assets	42	640	274	509	1,004	739
Total assets	27,828	44,278	34,196	21,862	49,339	31,536
Liabilities and Net Worth:						
Current liabilities	6,681	11,536	8,560	5,094	11,900	7,677
Other liabilities	2,727	1,992	2,443	615	1,109	747
Total liabilities	9,408	13,528	11,003	5,709	13,009	8,424
Net Worth	18,420	30,750	23,193	16,153	36,330	23,112
Total Liabilities and Net Worth ..	27,828	44,278	34,196	21,862	49,339	31,536
Sales	29,523	67,782	44,333	30,662	69,429	45,188
Net Profit	4,910	8,622	6,347	4,750	10,046	6,704
Ratios:						
Current assets to current liabilities	2.58	2.74	2.66	3.83	3.72	3.68
Current assets to fixed assets .	1.63	2.62	2.04	10.59	10.75	11.02
Net quick assets to net worth ..	.57	.65	.61	.89	.89	.89
Liabilities to net worth	.51	.44	.47	.35	.36	.36
Sales to net worth	1.60	2.20	1.91	1.90	1.91	1.96
Sales to fixed assets	2.79	5.62	3.97	16.65	16.88	17.64
Net profit to net worth	.27	.28	.27	.29	.28	.29

(*) See definitions on page 5 for more detail description.

6. TOBACCO STORES

Tobacco stores are those in which the sale of tobacco and smokers' sundries forms more than 50% of total sales. Usually other merchandise is also sold, such as magazines, newspapers, confectionery, and novelties.

A total of 217 unincorporated tobacco stores submitted reports satisfactory for tabulation of profit and loss data. These were divided into sales-size groups between owned and rented stores. In some size classes there were too few returns to permit publication of results.

An insufficient number of firms reported balance sheet data to permit tabulation of average results.

The operating results of tobacco stores in 1948 are summarized below:

1. There was an increase in the gross profit of tobacco stores in 1948, but the counter effect of proportionately greater expenses left the net profit ratio the same in 1948 (7.9%) as in 1946. Most pronounced increases in operating costs were those for salaries and wages and "all other" expenses. (Table 25, page 44).

2. In 1948, gross profit ratios showed an irregular trend over the different sizes, ranging from 15.38% of net sales to 21.69%. Salaries increased <u>in ratio</u> in the larger size groups while occupancy costs decreased. Net profit ranged from 12.11% of sales in the smallest sales-size group to 7.44% in the largest. (Table 26, page 46).

Table 25. - Operating Results of Tobacco Stores, 1945-1946, 1948

Item	1945	1946	1948
Stores reporting .... No.	322	302	217
Average net sales per store .... $	26,068	28,399	32,830
Average beginning inventory .... $	1,799	2,073	2,972
Average inventory, end of year .... $	1,955	2,386	3,170
Stock turnover .... (times per year)	11.7	10.8	8.9
Gross profit	15.9	15.6	16.5
Operating expenses:			
Salaries and wages	[illegible]	2.9	3.6
Occupancy	3.5	3.5	3.5
Store supplies	.3	.4	.4
All other expenses	1.1	.9	1.1
Total operating expenses	7.9	7.7	8.6
Net profit before deduction of proprietors' salaries and income tax	8.0	7.9	7.9

(Items expressed as percentages of net sales).

CHART 6.

OPERATING RESULTS OF TOBACCO STORES, 1948

BY AMOUNT OF ANNUAL SALES

GROSS PROFIT = NET PROFIT + SALARIES + OCCUPANCY + OTHER EXPENSES

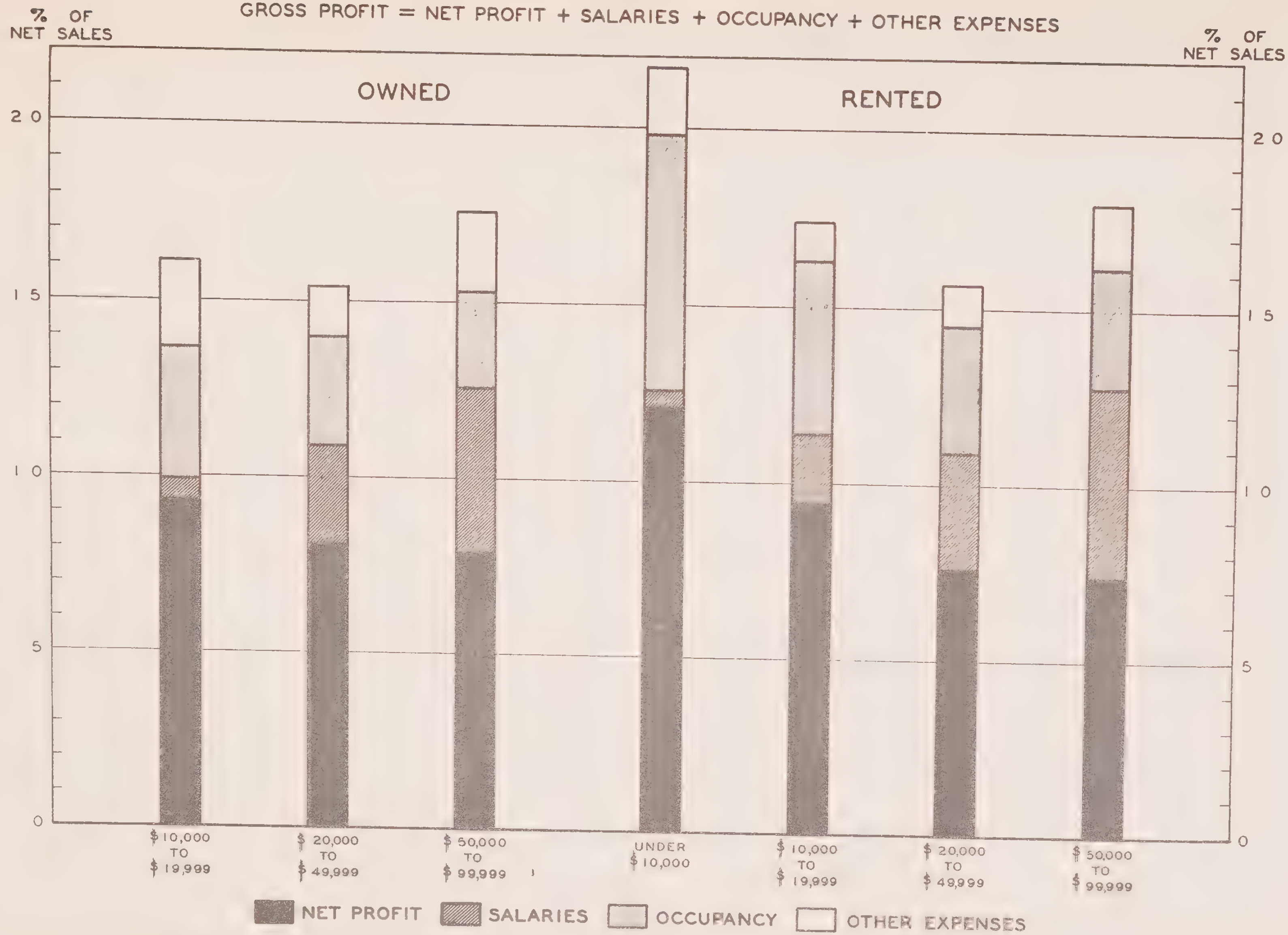


Table 26.--Tobacco Stores - Operating Results Classified According to Annual Sales Volume and Occupancy Basis, 1948

Item	OWNED $10,000 to $19,999	OWNED $20,000 to $49,999	OWNED $50,000 to $99,999	RENTED Under $10,000	RENTED $10,000 to $19,999	RENTED $20,000 to $49,999	RENTED $50,000 to $99,999
Number of stores reporting	10	32	9	11	33	94	24
Average net sales per store $	16,587	34,039	66,889	7,618	15,852	32,096	67,198
Average cost of goods sold $	13,917	28,804	55,111	5,966	13,092	27,069	55,099
Average beginning inventory $	1,232	2,905	6,410	736	2,394	2,506	6,489
Average inventory, end of year $	1,390	2,927	7,219	850	2,456	2,589	7,410
Stock turnover (times per year)	10.62	9.88	8.09	7.52	5.40	10.63	7.93
PROFIT AND LOSS DATA							
(Per cent of net sales)							
Gross profit	16.09	15.38	17.61	21.69	17.41	15.66	18.00
Operating expenses:							
Employees' salaries and wages	.62	2.83	4.67	.50	2.03	3.34	5.41
Taxes	1.22	.63	.72	.64	.27	.25	.25
Insurance	.34	.22	.25	.40	.19	.20	.21
Rent	-	-	-	4.36	3.12	2.06	1.98
Heat, light and power	1.23	.81	.53	1.22	.77	.47	.31
Repairs and maintenance	.25	.67	.53	.43	.47	.30	.34
Depreciation allowances	.75	.76	.71	.16	.12	.28	.26
Store supplies	.59	.35	.38	.58	.42	.29	.46
Advertising	.17	.08	.09	.09	.11	.11	.36
Bad debts - written off	.05	-	-	.31	.02	.02	.01
(Less) amount recovered	-	-	-	-	-	-	-
Net bad debt loss	.05	-	-	.31	.02	.02	.01
All other expenses	1.53	.90	1.83	.89	.50	.73	.97
Total operating expenses	6.75	7.25	9.71	9.58	8.02	8.05	10.56
Net trading profit before deduction of proprietors' salaries and income tax	9.34	8.13	7.90	12.11	9.39	7.61	7.44

-D-40

GOVERNMENT OF CANADA

OPERATING RESULTS AND FINANCIAL STRUCTURE
MISCELLANEOUS RETAIL STORES
1950

A D.B.S. PUBLICATION

DOMINION BUREAU OF STATISTICS — DEPARTMENT OF TRADE AND COMMERCE

OPERATING RESULTS AND FINANCIAL STRUCTURE
MISCELLANEOUS RETAIL STORES
1950

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NOTICE

The Industry and Merchandising Division of the Bureau of Statistics collects and compiles figures on (a) the primary industries in Canada — mining, forestry, and fishing; (b) manufacturing; (c) construction; and (d) merchandising and services.

For the purpose of annual compilation and publication, reports on merchandising and services have been classified as follows:

Part I — Wholesale Statistics

A Wholesale Trade, 25¢.
* B Operating Results of Food Wholesalers, 25¢.
* C Operating Results of Dry Goods, Piece Goods, and Footwear Wholesalers, 25¢.
* D Operating Results of Miscellaneous Wholesalers (automotive equipment, drugs, hardware, plumbing and heating equipment), 25¢.

Part II — Retail Statistics

E General Review, 25¢.
F Retail Trade, 50¢.
G Retail Chain Stores, 50¢.
* H Operating Results of Chain Food Stores, 25¢.
* I Operating Results of Chain Clothing Stores, 25¢.
* J Operating Results of Miscellaneous Chain Stores (variety, drug, furniture), 25¢.
K Operating Results of Retail Food Stores, 25¢.
L Operating Results of Retail Clothing Stores, 25¢.
M Operating Results of Retail Hardware, Furniture, Appliance, and Radio Stores, 25¢.
N Operating Results of Filling Stations and Garages, 25¢.
O Operating Results of Miscellaneous Retail Stores, 25¢.
P Retail Consumer Credit, 25¢.

Part III — Services and Special Fields

Q Laundries, Cleaners and Dyers, 25¢.
R Motion Picture Theatres, Exhibitors, and Distributors, 25¢.
S Hotels, 25¢.
T Sales Financing, 25¢.
U Farm Implement and Equipment Sales, 25¢.
V New Motor Vehicle Sales and Motor Vehicle Financing, 25¢.

The reports are punched to permit of filing in a ring binder.

* Biennial reports — not issued for 1950.

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DEFINITIONS

Profit and Loss

Net sales – represent the dollar volume of business done. Allowances and discounts granted to customers and value of goods returned by customers are deducted from gross sales, but sales of meals or lunches provided employees and any goods withdrawn by the proprietor for personal use are included.

Gross profit – is the difference between the cost of merchandise sold and the selling price. The cost of merchandise sold is calculated by adding the beginning inventory to net purchases and deducting the ending inventory.

Operating expenses – are the amounts paid out for any and all expenses incurred in the operation of a business, except the cost of merchandise. These include:

Salaries and wages (except delivery) –paid to employees before deduction of income taxes or unemployment insurance. Proprietors' salaries or withdrawals are included in Net Profit (in unincorporated store operations).

Taxes and Insurance – business, property and water taxes, and insurance premiums carried for the protection of the business. Income taxes and other taxes collected for remittance to governmental bodies are not included.

Rentals – monies paid for premises used only in the business.

Heat, light and power expenses – amount paid for these used during the year.

Delivery expense – includes salaries paid to delivery men, truck repairs and maintenance, depreciation, licences and insurance on delivery equipment and supplies used in connection with delivery (gas, oil, etc.).

Repairs and maintenance – incurred for the purposes of keeping fixed store assets operating efficiently (excludes capital expenditure).

Depreciation – allowances to cover decreases in the value of fixed store assets.

Store supplies – used in the business during the year – wrapping paper, office supplies, etc.

Advertising

Loss on bad debts – during the year – amount written off less old debts recovered.

Other expenses – telephone, telegraph, postage, bank charges, legal fees, collection and auditing fees, etc.

Net Profit – is the difference between gross margin and total expenses, and includes proprietors' salaries and withdrawals before income tax deductions.

Stock turnover – is the number of times in a year that the merchandise is sold and replaced. The average of the beginning and year ending inventories is divided into the cost of merchandise sold.

DEFINITIONS

Balance Sheet

Assets

Cash on hand — and in the bank represents the amount of cash at the end of the year.

Net accounts receivable — are all notes and accounts owing to the business at the end of the year less any reserve for doubtful accounts.

Merchandise inventory — represents the cost value of merchandise on hand for resale but does not include store supplies on hand.

Other current assets — includes assets which may be converted into cash, if necessary, within a reasonably short time, such as prepaid insurance, office and store supplies, Dominion of Canada Bonds.

Fixed assets (net) — is the book value of land, buildings, furniture, fixtures and equipment less any reserves for depreciation. Separate figures are shown for assets used in the business and those not used in the business.

Other assets — Investments of a permanent nature not readily converted into cash and intangibles such as goodwill.

Liabilities and Net Worth

Current liabilities — are obligations which must be paid in the near future and represent accounts receivable or any item that may be considered as a direct lien against current assets.

Fixed liabilities — mortages secured by fixed assets and separated, as are fixed assets, between those used and not used in business.

Other liabilities — long term notes, accrued expenses such as taxes or rent due but not yet paid, and prepaid or deferred income.

Capital stock — applicable to incorporated companies, represents the investment account of the stockholders in the capital shares of the corporation and does not exceed the amount authorized.

Surplus — applicable to corporations, includes earned surplus from operating profits, capital surplus from premiums received on the sale of capital stock, and surplus reserves.

Net worth — is the difference between total assets and total liabilities. This is composed of stock and surplus in the case of incorporated companies and in unincorporated businesses represents the proprietor's or partner's equity including undivided profits.

OPERATING RESULTS AND FINANCIAL STRUCTURE
MISCELLANEOUS RETAIL STORES
1950

INTRODUCTION

A yardstick of performance is a useful gauge in assessing the success of endeavour. When that yardstick takes the form of a statistical summary of the average operating experience of retail stores, it may not constitute an ideal pattern of operations which all retailers should set as a goal, but it does represent a reasonably useful standard by which the retailer may ascertain whether or not his operations are being conducted as effectively, economically and profitably as those of the trade in general. To the merchant whose profits are below average, the operating results summaries may help to disclose the reasons which account for this situation. Reflection and consideration on the part of the merchant make it possible to decide whether his operating methods should be altered or whether the situation is normal in the light of conditions peculiar to the location of his business.

The average results shown are Dominion averages for the various trades. The average gross profit of a trade for instance, must not be interpreted as the gross profit of all commodities handled by that trade because different commodities have widely varying mark-ups. Likewise, the averages are not necessarily correct for local interpretation as the sample was designed to produce national averages.

There is a growing evidence that independent retail merchants are making more advantageous use of the results shown in the biennial operating results bulletins issued by the Bureau of Statistics. Many accounting firms whose clientele includes retail merchants have shown an interest in these series.

A number of trade papers and business periodicals have reproduced and interpreted the results of previous studies with the object of illustrating to retail merchants the manner in which operating results can be used as a tool in store management. This is a practice the Bureau is pleased to encourage, since it meets with one of the most important objects in maintaining this series, namely the promotion of improved merchandising on the part of retailers.

Statistics derived from other sources have shown that the mortality rate of business is much higher among new entrants into the field of retailing than among those established for five years or more.

There are many reasons for this, some of them associated with the natural imcompetence of the initiate retailer which could not be completely overcome by means of operating statement analysis. It seems reasonable to suppose, however, that failure in many cases is the result of inadequate knowledge on the part of new proprietors of the true fiscal requirements involved in operating a business and of the proper allocation of costs. Where capital is limited, as is often the case in a newly-established store, it would seem that most careful attention should be given to maintenance of proper records and provision be made to check against some standard performance as these publications provide.

This report deals with independent retail stores, results for which are shown for unincorporated stores and in certain trades for incorporated.

The trades covered are:

1. Country General Stores
2. Restaurants
3. Fuel Dealers
4. Drug Stores
5. Jewellery Stores
6. Tobacco Stores

There are analyses of:

1. Profit and loss statements
2. Balance sheet summaries

Profit and loss data are shown for owned and rented stores separately, and for various sales-size classes.

Balance sheet data, which was added in 1948, is continued in this 1950 study. This information is presented by size and occupancy groups for stores with \$20,000 or more annual net sales. Where possible a further breakdown has been made between businesses in operation less than 10 years and those in business 10 years or more. An important change from the 1948 data is the segregation of fixed assets and fixed liabilities between those used in the business and those not used in the business. This makes possible a better relationship between fixed assets and the sales produced by those assets than was possible when all fixed assets of the proprietor were reported as one item.

The same basic sample of firms is used in this series although the sample varies slightly in each survey year. There is, however, a high degree of continuity among the respondents and it is believed that no serious distortion arises out of any change in responding firms. For the most part, successive surveys have provided an increasing response rate, an encouraging feature from the standpoint of accuracy and, it is believed, an indication of the growing realization on the part of merchants of the value of these statistics.

SUMMARIES, CHARTS AND TABLES

Country General Stores

Stores classified as "country general" carry a general line of merchandise and are situated in localities of less than 2,000 population. Food sales form a large part of the business. Other commodities handled include clothing, dry goods, shoes and hardware.

Profit and loss information was received from 532 unincorporated stores from which results were tabulated by sales-size groups for owned and rented stores. Balance sheet data were supplied by 354 forms with a sufficient number in the owned category to permit a tabulation by "age" of business. Balance sheet averages are only shown for the sales-size groups of over $20,000 annual net sales.

Some of the more important points in the 1950 operations of country general stores and in their financial structure at the end of the year are reviewed below:

The average gross profit of country general stores decreased slightly from the 1948 figure of 15.08% of net sales to 14.54% in 1950.

Operating expenses showed little change from 1948 with the 1950 expenses at 9.03% of net sales.

Net profit before deduction of proprietors' salaries and income tax followed the trend of gross profit and dropped from 6.03% of net sales in 1948 to 5.51% in 1950.

The rate of stock turnover was more rapid in the larger stores than in the smaller and ranged from 2.13 times a year to 4.85 times over the five sales-size groups of country general stores.

The proprietor of the average country general store obtained favourable current ratios in 1950 with more than three times as much current assets as current liabilities.

The proprietors of stores which have been in operation 10 years or more were generally in a better financial position than the merchants with lesser business experience.

Operating Results of Country General Stores
1948 and 1950 Compared

Item	1948	1950
Number of stores reporting	427	532
Average net sales per store	59,014	55,320
Profit and Loss Data (Percentage of net sales)		
Gross profit	15.08	14.54
Operating expenses:		
Employees' salaries	4.26	4.08
Occupancy	2.42	2.62
Store supplies	.40	.38
Advertising	.21	.23
All other expenses	1.76	1.72
Total operating expenses	**9.05**	**9.03**
Net profit before deduction of proprietors' salaries and income tax	6.03	5.51

Financial Ratios of Country General Stores as at December 31, 1950

Ratio	Owned	Rented
Current assets to current liabilities	4.56	3.62
Current assets to fixed assets	2.93	7.61
Net quick assets to net worth	.73	.94
Sales to fixed assets used in the business	9.94	31.47
Liabilities to net worth	.28	.48

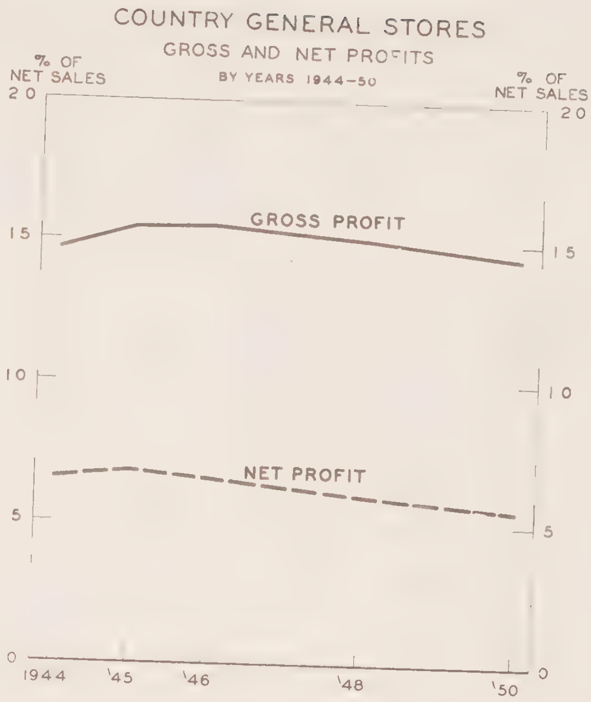

TABLE 1. Country General—Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned					Rented			
	Stores with annual net sales of					Stores with annual net sales of			
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	16	82	181	116	62	11	28	20	16
Average net sales per store $	7,389	15,245	31,883	68,445	151,112	15,368	33,797	69,313	155,066
Average cost of goods sold $	5,735	12,704	27,514	58,702	129,629	12,716	28,923	58,017	130,009
Average beginning inventory $	2,664	4,479	6,807	14,038	31,436	4,433	8,276	14,398	25,229
Average inventory, end of year $	2,712	4,668	7,242	14,852	33,203	4,813	8,666	15,980	28,333
Stock turnover (times per year)	2.13	2.78	3.92	4.06	4.01	2.75	3.41	3.82	4.85
Profit and Loss Data (Per cent of net sales)									
Gross profit	22.37	16.67	13.70	14.23	14.22	17.25	14.42	16.29	16.16
Operating expenses:									
Employees' salaries and wages	3.44	1.68	2.30	3.91	5.27	.83	1.97	5.00	6.03
Taxes	1.12	.63	.45	.40	.32	.58	.37	.23	.13
Insurance	.72	.70	.48	.39	.47	.47	.40	.42	.31
Rent	—	—	—	—	—	1.53	1.19	1.10	.62
Heat, light and power	2.53	1.43	.84	.61	.46	1.46	.82	.59	.31
Repairs and maintenance	.82	1.00	.46	.42	.32	.27	.38	.29	.09
Depreciation allowances	.68	.75	.76	.75	.61	.32	.42	.41	.29
Store supplies	.59	.46	.38	.35	.39	.54	.39	.50	.36
Advertising	.12	.07	.14	.21	.28	.10	.22	.29	.36
Bad debts-written off	.57	.59	.27	.18	.30	.14	.09	.18	.19
(Less) amount recovered	.05	.07	.01	.03	.04	.05	—	.01	.04
Net bad debt loss	.52	.52	.26	.15	.26	.09	.09	.17	.15
All other expenses	1.75	1.38	1.60	1.45	1.46	1.41	1.63	1.59	1.49
Total operating expenses	12.30	8.62	7.67	8.64	9.84	7.60	7.88	10.59	10.14
Net trading profit before deduction of proprietors' salaries and income tax	10.07	8.05	6.03	5.59	4.38	9.65	6.54	5.70	6.02

TABLE 2. Country General Stores—Owned—Financial Structure by Size and Age of Business December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of									Total all sizes (owned)
	$20,000 to $49,999			$50,000 to $99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets										
Current assets:										
Cash on hand and in the bank	1,171	1,623	1,490	2,968	2,402	2,581	4,413	3,753	3,880	2,277
Accounts and notes receivable (net)	1,867	1,686	1,739	3,791	5,392	4,887	14,205	10,032	10,837	4,420
Merchandise inventory	7,672	7,130	7,289	14,168	15,661	15,190	31,940	34,635	34,115	14,763
Other current assets:										
Government bonds and securities	209	1,617	1,203	934	2,698	2,141	1,603	4,451	3,902	1,999
Prepaid expenses	36	25	29	40	102	82	105	156	146	67
Total current assets	**10,955**	**12,081**	**11,750**	**21,901**	**26,255**	**24,881**	**52,266**	**53,027**	**52,880**	**23,526**
Fixed assets (net):										
Used in the business	5,744	4,581	4,923	9,037	5,728	6,773	9,281	11,241	10,863	6,609
Not used in the business	1,292	1,059	1,127	2,777	1,330	1,787	182	1,930	1,593	1,420
Total net fixed assets	**7,036**	**5,640**	**6,050**	**11,814**	**7,058**	**8,560**	**9,463**	**13,171**	**12,456**	**8,029**
Other assets:										
Investments of a permanent nature	—	446	315	120	912	662	—	281	226	407
Other, such as goodwill	79	159	135	290	480	420	487	562	548	301
Total other assets	**79**	**605**	**450**	**410**	**1,392**	**1,082**	**487**	**843**	**774**	**708**
Total assets	**18,070**	**18,326**	**18,250**	**34,125**	**34,705**	**34,523**	**62,216**	**67,041**	**66,110**	**32,263**
Liabilities										
Current liabilities—accounts and notes payable	2,799	1,826	2,112	5,570	6,156	5,971	12,513	11,876	11,999	5,162
Fixed liabilities—mortgages on fixed assets:										
Used in the business	1,424	175	542	2,692	308	1,061	4,818	967	1,710	922
Not used in the business	—	69	49	—	—	—	—	22	17	28
Other liabilities	772	470	559	1,218	1,128	1,157	1,009	2,406	2,137	1,040
Total liabilities	**4,995**	**2,540**	**3,262**	**9,480**	**7,592**	**8,189**	**18,340**	**15,271**	**15,863**	**7,152**
Net worth:										
Proprietor's or partner's equity	13,075	15,786	14,988	24,645	27,113	26,334	43,876	51,770	50,247	25,111
Total liabilities and net worth	**18,070**	**18,326**	**18,250**	**34,125**	**34,705**	**34,523**	**62,216**	**67,041**	**66,110**	**32,263**
Number of stores reporting	45	108	153	30	65	95	11	46	57	305
Average net sales per stores	32,997	32,439	32,603	69,980	66,057	67,296	141,370	154,161	151,692	65,665

1. See difinitions on page 5 for more detail.

TABLE 3. Country General Stores—Rented—Financial Structure by Size of Business December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of			Total all sizes (rented)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets				
Current assets:				
Cash on hand and in bank	1,558	3,727	3,577	2,929
Accounts and notes receivable (net)	3,019	3,889	12,575	6,246
Merchandise inventory	10,302	15,021	27,933	17,336
Other current assets:				
Government bonds and securities	206	447	3,667	1,349
Prepaid expenses	66	77	389	169
Total current assets	**15,151**	**23,161**	**48,141**	**28,029**
Fixed assets (net):				
Used in the business	1,271	3,378	3,482	2,679
Not used in the business	199	2,275	482	1,006
Total net fixed assets	**1,470**	**5,653**	**3,964**	**3,685**
Other assets:				
Investments of a permanent nature	3	439	67	174
Other, such as goodwill	—	19	211	71
Total other assets	**3**	**458**	**278**	**245**
Total assets	**16,624**	**29,272**	**52,383**	**31,959**

1. See definitions on page 5 for more detail.

TABLE 3. Country General Stores – Rented – Financial Structure by Size of Business December 31, 1950 – Concluded

Item[1] (Average per store)	Stores with annual net sales of			Total all sizes (rented)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Liabilities				
Current liabilities – accounts and notes payable	3,197	5,307	15,648	7,741
Fixed liabilities – mortgages on fixed assets:				
Used in the business	81	501	—	202
Not used in the business	—	1,298	—	450
Other liabilities	2,365	1,744	1,910	2,010
Total liabilities	**5,643**	**8,850**	**17,558**	**10,403**
Net worth:				
Proprietor's or partner's equity	10,981	20,422	34,825	21,556
Total liabilities and net worth	**16,624**	**29,272**	**52,383**	**31,959**
Number of stores reporting	17	17	15	49
Average net sales per store	35,085	71,205	154,983	84,320

1. See definitions on page 5 for more detail.

RESTAURANTS

Included in this study are those restaurants which had as their main activity the provision of meals. Those with sales of tobacco, candy and other merchandise amounting to more than 20% of sales were not used.

Reports giving detailed profit and loss information were received from 362 independent unincorporated restaurants. Results are presented by sales-size classes for both owned and rented restaurants. Balance sheet data were tabulated for the "over $20,000 annual net sales" groups. There were sufficient respondents in the rented category to permit a further breakdown by age of business.

The operating results and financial structure of restaurants in 1950 are summarized below:

The average gross profit of restaurants in 1950 showed a considerable gain over 1948, rising from 37.08% of net sales to 38.71%.

Increased operating expenses, especially in occupancy and salaries, more than offset the gain in gross profit.

Net profit in 1950 formed 6.48% of net sales compared with 6.90% in 1948.

Gross profits were higher, in relation to sales, in the larger sized stores than in the smaller, while net profits were lower.

The proprietor of the average "rented" restaurant had $1.24 current assets to meet every $1.00 current liabilities. This ratio is lower than obtained by most trades due to the small inventories carried.

Operating Results of Restauants 1948 and 1950 Compared

Item	1948	1950
Number of restaurants reporting	275	362
Average net sales	55,007	57,963
Profit and Loss Data (Percentage of net sales)		
Gross Profit	37.08	38.71
Operating expenses:		
Employees' salaries	18.51	19.07
Occupancy	7.94	9.21
Store Supplies	.84	.88
Advertising	.25	.37
All other expenses	2.64	2.70
Total operating expenses	**30.18**	**32.23**
Net profit before deduction of proprietor's salaries and income tax	6.90	6.48

Financial Ratios of Restaurants as at December 31, 1950

Ratio	Rented
Current assets to current liabilities	1.24
Current assets to fixed assets	.58
Net quick assets to net worth	.99
Sales to fixed assets used in the business	10.36
Liabilities to net worth	.52

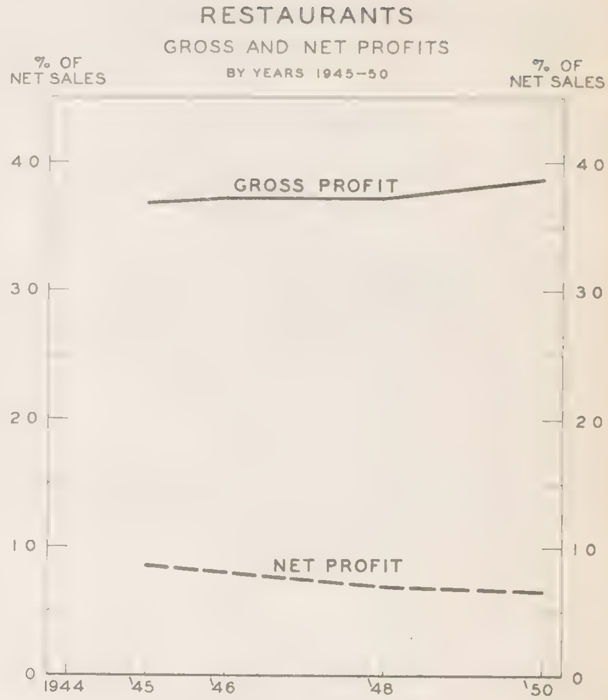

TABLE 4. Restaurants — Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned				Rented				
	Restaurants with annual net sales of				Restaurants with annual net sales of				
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of restaurants reporting	15	20	17	7	12	27	122	85	49
Average net sales per restaurant $	14,447	29,828	71,539	142,723	7,231	18,305	32,582	70,716	149,569
Average cost of goods sold $	9,607	19,736	45,213	83,799	4,434	11,511	20,596	43,413	89,050
Average beginning inventory $	523	1,236	1,527	4,804	173	600	880	1,982	3,266
Average inventory, end of year $	574	1,202	1,764	5,183	188	644	775	2,131	3,806
Profit and Loss Data (Per cent of net sales)									
Gross profit	33.50	33.83	36.80	41.29	38.68	37.11	36.79	38.61	40.46
Operating expenses:									
Employees' salaries and wages	6.83	12.75	18.36	22.48	6.68	14.45	15.58	19.69	21.54
Taxes	1.33	1.07	.87	.91	.98	.52	.53	.70	.39
Insurance	.60	.60	.54	.65	.53	.28	.32	.36	.31
Rent	—	—	—	—	8.53	4.73	3.74	3.07	2.58
Heat, light and power	3.63	3.22	2.54	2.82	6.48	3.23	2.79	2.51	2.34
Repairs and maintenance	1.10	1.56	1.63	.93	1.76	1.80	1.25	1.37	1.21
Depreciation allowance	2.27	3.04	2.33	2.52	.80	1.34	1.36	1.41	1.86
Store supplies	2.27	.86	.78	1.33	.37	.54	.76	.89	.88
Advertising	.22	.24	.37	.62	.24	.25	.24	.38	.42
Bad debts (written off)	—	1	—	—	.03	.09	.01	.01	1
(Less) amount recovered	—	—	—	—	—	.01	—	—	—
Net bad debt loss	—	1	—	—	.03	.08	.01	.01	1
All other expenses	3.67	2.00	2.61	3.66	1.74	1.72	2.19	2.45	3.14
Total operating expenses	**21.92**	**25.34**	**30.03**	**35.92**	**28.14**	**28.94**	**28.77**	**32.84**	**34.67**
Net trading profit before deduction of proprietors' salaries and income tax	11.58	8.49	6.77	5.37	10.54	8.17	8.02	5.77	5.79

1. Less than 0.005%

TABLE 5. Restaurants — Owned — Financial Structure by Size of Business, December 31, 1950

Item[1] (Average per restaurant)	Restaurants with annual net sales of			Total all sizes (owned)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets				
Current assets:				
Cash on hand and in bank	778	3, 277	1, 414	1, 817
Accounts and notes receivable (net)	69	80	558	177
Merchandise inventory	1, 137	1, 452	4, 883	2, 047
Other current assets:				
Government bonds and securities	250	324	5, 092	1, 309
Prepaid expenses	40	49	154	67
Total current assets	**2, 274**	**5, 182**	**12, 101**	**5, 417**
Fixed assets (net):				
Used in the business	12, 938	17, 597	31, 582	18, 590
Not used in the business	722	1, 639	976	1, 108
Total net fixed assets	**13, 660**	**19, 236**	**32, 558**	**19, 698**
Other assets:				
Investments of a permanent nature	662	—	—	281
Other, such as goodwill	126	304	48	174
Total other assets	**788**	**304**	**48**	**455**
Total assets	**16, 722**	**24, 722**	**44, 707**	**25, 570**
Liabilities				
Current liabilities — accounts and notes payable	3, 551	4, 665	15, 855	6, 572
Fixed liabilities — mortgages on fixed assets:				
Used in the business	2, 654	2, 406	7, 251	3, 542
Not used in the business	278	108	321	226
Other liabilities	1, 209	3	—	516
Total liabilities	**7, 692**	**7, 182**	**23, 427**	**10, 856**
Net worth:				
Proprietor's or partner's equity	9, 030	17, 540	21, 280	14, 714
Total liabilities and net worth	**16, 722**	**24, 722**	**44, 707**	**25, 570**
Number of restaurants reporting	20	17	10	47
Average net sales per restaurant	31, 931	67, 948	167, 029	73, 702

1. See definitions on page 5 for more detail.

TABLE 6. Restaurants — Rented — Financial Structure by Size and Age of Business, December 31, 1950

Item[1] (Average per restaurant)	Restaurants with annual net sales of									Total all sizes (rented)
	$20,000 — $49,999			$50,000 — $99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets										
Current assets:										
Cash on hand and in bank	679	1, 199	840	1, 667	1, 445	1, 563	2, 343	4, 418	3, 265	1, 636
Accounts and notes receivable (net)	9	38	18	58	137	95	230	237	233	94
Merchandise inventory	908	774	867	2, 422	1, 989	2, 219	4, 176	4, 319	4, 239	2, 103
Other current assets:										
Government bonds and securities	281	529	357	172	341	251	633	3, 181	1, 766	623
Prepaid expenses	42	13	33	130	38	87	249	365	301	111
Total current assets	**1, 919**	**2, 553**	**2, 115**	**4, 449**	**3, 950**	**4, 215**	**7, 631**	**12, 520**	**9, 804**	**4, 567**
Fixed assets (net):										
Used in the business	3, 400	2, 379	3, 085	8, 833	4, 393	6, 756	16, 955	13, 062	15, 225	7, 089
Not used in the business	909	1, 085	963	872	746	814	—	1, 417	629	835
Total net fixed assets	**4, 309**	**3, 464**	**4, 048**	**9, 705**	**5, 139**	**7, 570**	**16, 955**	**14, 479**	**15, 854**	**7, 924**
Other assets:										
Investments of a permanent nature	39	191	85	285	103	200	9	—	5	110
Other, such as goodwill	741	—	513	1, 416	122	810	2, 473	103	1, 420	821
Total other assets	**780**	**191**	**598**	**1, 701**	**225**	**1, 010**	**2, 482**	**103**	**1, 425**	**931**
Total assets	**7, 008**	**6, 208**	**6, 761**	**15, 855**	**9, 314**	**12, 795**	**27, 068**	**27, 102**	**27, 083**	**13, 422**

1. See definitions on page 5 for more detail.

TABLE 6. Restaurants — Rented — Financial Structure by Size and Age of Business, December 31, 1950 — Concluded

Item[1] (Average per restaurant)	$20,000 – $49,999 Under 10 years	$20,000 – $49,999 10 years and over	$20,000 – $49,999 Total	$50,000 – $99,999 Under 10 years	$50,000 – $99,999 10 years and over	$50,000 – $99,999 Total	$100,000 and over Under 10 years	$100,000 and over 10 years and over	$100,000 and over Total	Total all sizes (rented)
Liabilities										
Current liabilities — accounts and notes payable	1,585	846	1,357	4,073	1,820	3,019	8,975	9,648	9,274	3,695
Fixed liabilities — mortgages on fixed assets:										
Used in the business	87	29	69	539	124	345	640	—	356	234
Not used in the business	257	286	266	61	—	32	—	—	—	121
Other liabilities	262	119	218	528	117	336	2,485	385	1,551	551
Total liabilities	**2,191**	**1,280**	**1,910**	**5,201**	**2,061**	**3,732**	**12,100**	**10,033**	**11,181**	**4,601**
Net worth:										
Proprietor's or partner's equity	4,817	4,928	4,851	10,654	7,253	9,063	14,968	17,069	15,902	8,821
Total liabilities and net worth	**7,008**	**6,208**	**6,761**	**15,855**	**9,314**	**12,795**	**27,068**	**27,102**	**27,083**	**13,422**
Number of restaurants reporting	47	21	68	33	29	62	20	16	36	166
Average net sales per restaurant	32,959	30,303	32,139	70,666	72,045	71,311	143,993	169,267	155,226	73,463

1. See definitions on page 5 for more detail.

FUEL DEALERS

Firms included in this classification carried on the retail sale of coal and coke with some also selling lesser quantities of fuel oil, wood or ice.

Profit and loss information was received from 257 unincorporated and 76 incorporated firms, and results tabulated by sales-size for owned and rented businesses. Balance sheet data were compiled from the returns of 180 unincorporated and 39 incorporated firms with $20,000 or more annual net sales. There were sufficient returns from "owned" dealers in the unincorporated class to permit a tabulation by age of business.

Summary points on the 1950 operations of fuel dealers and on their financial position at the end of the year are given below:

Gross and net profits of both unincorporated and incorporated fuel dealers showed little change in 1950 from 1948 when expressed as percentages of net sales.

Delivery expense was the largest single item of expense and in the unincorporated type accounted for approximately 50% of total operating expenses.

Unincorporated dealers who owned and used their own delivery equipment spent 7.76% of sales on delivery while those whose delivery was done on contract spent 6.06%.

Dealers operating from owned premises had more than $2.00 current assets for every $1.00 of current liability at the end of 1950. Lessee dealers had a current ratio of less than 2 to 1.

Dealers who have been in operation 10 or more years were generally in a better financial position than those with less than 10 years business experience.

Operating Results of Fuel Dealers 1948 and 1950

Item	Unincorporated 1948	Unincorporated 1950	Incorporated 1948	Incorporated 1950
Number of dealers reporting	246	257	85	76
Average net sales	94,817	96,474	231,468	257,278
Profit and Loss Data (Percentage of net sales)				
Gross Profit	20.41	20.62	19.90	20.22
Operating expenses:				
Employees' salaries	3.36	4.08	6.30	5.91
Occupancy	1.92	2.14	2.10	1.87
Delivery	7.69	7.01	6.65	7.26
Advertising	.34	.38	.38	.53
All other expenses	1.65	1.88	2.35	2.32
Total operating expesnses	**14.96**	**15.49**	**17.78**	**17.89**
Net profit before deduction of income tax[1]	5.45	5.13	2.12	2.33

1. For unincorporated stores this ratio includes proprietors' salaries.

Financial Ratios of Fuel Dealers as at December 31, 1950

Ratio	Unincorporated		Incorporated	
	Owned	Rented	Owned	Rented
Current assets to current liabilities	2.39	1.97	2.99	1.75
Current assets to fixed Assets	2.20	3.87	1.41	4.24
Net quick assets to net worth	.58	.67	.51	.63
Sales to fixed assets used in the business	10.64	18.31	11.01	19.29
Liabilities to net worth	.52	.75	.40	.97

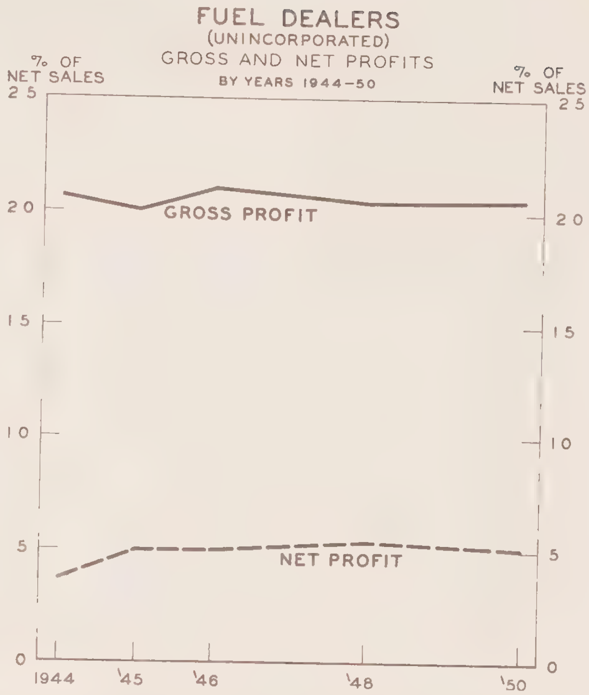

TABLE 7. Fuel Dealers — Operating Results of Unincorporated Firms by Sales Volume and Occupancy Basis, 1950

Item	Owned				Rented		
	Dealers with annual net sales of				Dealers with annual net sales of		
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of dealers reporting	13	48	54	74	19	15	25
Average net sales $	15,930	33,993	70,412	179,262	33,777	73,860	161,026
Average cost of goods sold $	11,680	26,175	56,016	142,403	26,356	59,446	129,273
Average beginning inventory $	1,493	1,955	4,251	10,542	2,305	2,980	8,176
Average inventory, end of year $	1,195	1,761	4,644	11,452	1,965	3,517	10,537
Stock turnover (times per year)	8.69	14.09	12.60	12.95	12.34	18.30	13.82
Profit and Loss Data (Per cent of net sales)							
Gross profit	26.68	23.00	20.44	20.56	21.97	19.52	19.72
Operating expenses:							
Employee's salaries and wages (except delivery)	6.40	4.08	3.33	4.46	3.34	4.59	3.48
Taxes	1.11	.54	.43	.31	.38	.23	.20
Insurance	.50	.49	.31	.39	.26	.28	.39
Rent	—	—	—	—	.93	.45	.34
Heat, light and power	.55	.31	.18	.17	.26	.13	.16
Delivery	7.93	6.50	6.96	6.92	7.53	5.57	7.72
Repairs and maintenance	.88	.79	.48	.45	.62	.60	.35
Depreciation allowances	1.53	.93	.85	.60	.38	.62	.62
Store supplies	.34	.31	.19	.26	.32	.37	.30
Advertising	.29	.39	.23	.41	.28	.58	.41
Bad debts — written off	.18	.20	.26	.29	.24	.22	.29
(Less) amount recovered	—	—	.06	.06	—	.03	.06
Net bad debt loss	.18	.20	.20	.23	.24	.19	.23
All other expenses	1.50	1.21	1.25	1.39	1.21	1.84	1.51
Total operating expenses	**21.21**	**15.75**	**14.41**	**15.59**	**15.75**	**15.45**	**15.71**
Net trading profit before deduction of proprietors' salaries and income tax	5.47	7.25	6.03	4.97	6.22	4.07	4.01

TABLE 8. Fuel Dealers — Operating Results of Incorporated Firms by Sales Volume and Occupancy Basis, 1950

Item	Owned		Rented
	$50,000 to $99,999	$100,000 and over	$100,000 and over
Number of firms reporting	9	21	35
Average net sales per firm $	73,951	276,222	350,861
Average cost of goods sold $	59,745	217,016	281,849
Average beginning inventory $	3,623	15,588	17,329
Average inventory, end of year $	4,273	12,105	18,291
Stock turnover (times per year)	15.13	15.67	15.83
Profit and Loss Data (Per cent of net sales)			
[illegible]	19.21	21.43	19.67
Operating expenses:			
Employees' salaries and wages (except delivery)	5.70	5.36	6.07
Taxes	.53	.28	.29
Insurance	.32	.37	.33
Rent	—	—	.36
Heat, light and power	.15	.15	.10
Delivery	8.78	8.46	6.48
Repairs and maintenance	.50	.47	.30
Depreciation allowances	.71	.69	.44
Store supplies	.28	.24	.29
[illegible]	.47	.53	.55
Bad debts — written off	.16	.20	.25
(Less) amount recovered	.07	.03	.09
Net bad debt loss	.09	.17	.16
[illegible]	1.63	1.41	2.16
Total operating expenses	**19.16**	**18.13**	**17.53**
Net trading profit before deduction of income tax	.05	3.30	2.14

TABLE 9. Fuel Dealers — Delivery Expense of Unincorporated Dealers by Type of Delivery, 1950 (Own equipment or contract delivery)

Item	Dealers with total net sales of						Total	
	$20,000 — $49,999		$50,000 — $99,999		$100,000 and over		Own equipment	Contract
	Own	Contract	Own	Contract	Own	Contract		
[illegible]	23.14	19.26	20.25	20.29	20.53	19.59	20.63	19.77
Delivery expense:								
[illegible]	3.23	—	3.78	—	4.22	—	4.06	—
Repairs and Maintenance	.96	—	1.06	—	1.21	—	1.16	—
Depreciation, licenses and insurance	1.49	—	.98	—	1.30	—	1.26	—
Supplies used (gas, oil grease)	1.21	—	1.15	—	1.32	—	1.28	—
Total amount paid contract delivery	—	7.01	—	6.24	—	5.74	—	6.06
Total delivery expense	**6.89**	**7.01**	**6.97**	**6.24**	**8.05**	**5.74**	**7.76**	**6.06**
[illegible]	7.62	4.88	5.65	5.25	4.49	4.70	4.97	4.90

TABLE 10. Fuel Dealers — Owned — Financial Structure of Unincorporated Firms by Size and Age of Business December 31, 1950

Item[1] (Average per dealer)	Dealers with annual net sales of									Total all sizes (owned)
	$20,000 — $49,999			$50,000 — $99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets										
Current assets:										
Cash on hand and in bank	1,703	2,519	2,224	1,181	7,163	5,633	4,794	7,643	6,792	5,325
Accounts and notes receivable (net)	2,155	1,958	2,029	11,777	6,881	8,133	14,804	16,648	16,098	10,283
Merchandise inventory	2,271	1,567	1,821	5,114	5,258	5,221	10,308	11,213	10,943	7,008
Other current assets:										
Government bonds and securities	231	1,736	1,192	220	2,301	1,768	1,792	3,186	2,770	2,086
Prepaid expenses	37	49	45	19	100	80	370	302	322	182
Total current assets	**6,397**	**7,829**	**7,311**	**18,311**	**21,703**	**20,835**	**32,068**	**38,992**	**36,925**	**24,884**

TABLE 10. Fuel Dealers — Owned — Financial Structure of Unincorporated Firms by Size and Age of Business December 31, 1950 — Concluded

Item[1] (Average per dealer)	Dealers with annual net sales of									Total all sizes (owned)
	$20,000 — $49,999			$50,000 — $99,999			$100,000 and over			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets — concluded										
Fixed assets (net):										
Used in the business	6,572	6,244	6,362	9,974	7,021	7,777	13,277	14,394	14,060	10,312
Not used in the business	925	2,289	1,797	—	466	347	837	1,051	987	998
Total net fixed assets	**7,497**	**8,533**	**8,159**	**9,974**	**7,487**	**8,124**	**14,114**	**15,445**	**15,047**	**11,310**
Other assets:										
Investments of a permanent nature	—	115	74	—	947	705	2,033	1,391	1,583	952
Other such as goodwill	160	—	58	47	871	660	704	303	423	403
Total other assets	**160**	**115**	**132**	**47**	**1,818**	**1,365**	**2,737**	**1,694**	**2,006**	**1,355**
Total assets	**14,054**	**16,477**	**15,602**	**28,332**	**31,008**	**30,324**	**48,919**	**56,131**	**53,978**	**37,549**
Liabilities										
Current liabilities—accounts and notes payable	4,586	1,881	2,857	7,498	7,067	7,177	14,381	17,519	16,582	10,428
Fixed liabilities — mortgages on fixed assets:										
Used in the business	1,425	792	1,021	—	481	358	1,906	811	1,138	879
Not used in the business	—	—	—	—	94	70	262	159	190	108
Other liabilities	—	404	258	3,444	340	1,134	5,138	459	1,856	1,249
Total liabilities	**6,011**	**3,077**	**4,136**	**10,942**	**7,982**	**8,739**	**21,687**	**18,948**	**19,766**	**12,664**
Net worth:										
Proprietor's or partner's equity	8,043	13,400	11,466	17,390	23,027	21,585	27,232	37,183	34,212	24,885
Total liabilities and net worth	**14,054**	**16,477**	**15,602**	**28,332**	**31,009**	**30,324**	**48,919**	**56,131**	**53,978**	**37,549**
Number of dealers reporting	13	23	36	11	32	43	20	47	67	146
Average sales per dealer	38,750	33,195	35,201	80,137	70,431	72,914	168,850	175,442	173,474	109,763

1. See definitions on page 5 for more detail.

TABLE 11. Fuel Dealers — Rented — Financial Structure of Unincorporated Firms by Size of Business December 31, 1950

Item[1] (Average per dealer)	Dealers with annual net sales of			Total all sizes (owned)
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets				
Current assets:				
Cash on hand and in bank	1,309	3,509	6,983	4,599
Accounts and notes receivable (net	3,613	11,393	17,652	12,234
Merchandise inventory	1,521	4,468	12,248	7,491
Other current assets:				
Government bonds and securities	1,060	3,216	4,342	3,145
Prepaid expenses	—	35	294	154
Total current assets	**7,503**	**22,621**	**41,519**	**27,623**
Fixed assets (net):				
Used in the business	2,310	2,363	9,587	5,960
Not used in the business	800	—	1,879	1,175
Total net fixed assets	**3,110**	**2,363**	**11,466**	**7,135**
Other Assets:				
Investments of a permanent nature	126	—	793	434
Other, such as goodwill	428	—	848	549
Total other assets	**554**	—	**1,641**	**983**
Total assets	**11,167**	**24,984**	**54,626**	**35,741**
Liabilities				
Current liabilities — accounts and notes payable	5,147	11,359	20,308	14,006
Fixed liabilities — mortgages on fixed assets:				
Used in the business	905	—	527	530
Not used in the business	—	—	—	—
Other liabilities	16	743	1,186	751
Total liabilities	**6,068**	**12,102**	**22,021**	**15,287**
Net Worth:				
Proprietor's or partner's equity	5,099	12,882	32,605	20,454
Total liabilities and net worth	**11,167**	**24,984**	**54,626**	**35,741**
Number of dealers reporting	10	7	17	34
Average sales per dealer	31,280	79,961	166,966	109,146

1. See definitions on page 5 for more detail.

TABLE 12. Fuel Dealers — Financial Structure of Incorporated Dealers by Size and Occupancy, December 31, 1950

Item[1] (Average per firm)	Owned			Rented	
	With annual net sales of		Total	With annual net sales of	Total
	$50,000 to $99,999	$100,000 and over		$100,000 and over	
Assets					
Current assets:					
Cash on hand and in bank	2, 319	7, 424	5, 427	5, 688	4, 618
Accounts and notes receivable (net)	7, 142	20, 617	15, 344	52, 787	43, 459
Merchandise inventory	4, 725	9, 981	7, 924	19, 143	15, 938
Other current assets:					
Government bonds and securities	1, 482	5, 658	4, 024	5, 360	4, 260
Prepaid expenses	462	823	682	2, 557	2, 059
Total current assets	**16, 130**	**44, 503**	**33, 401**	**85, 535**	**70, 334**
Fixed assets (net):					
Used in the business	8, 806	16, 371	13, 410	18, 295	15, 397
Not used in the business	1, 190	16, 194	10, 323	1, 347	1, 208
Total net fixed assets	**9, 996**	**32, 565**	**23, 733**	**19, 642**	**16, 605**
Other assets:					
Investments of a permanent nature	—	1, 729	1, 052	1, 708	1, 492
Other, such as goodwill	3, 343	2, 995	3, 131	4, 513	5, 331
Total other assets	**3, 343**	**4, 724**	**4, 183**	**6, 221**	**6, 823**
Total assets	**29, 469**	**81, 792**	**61, 317**	**111, 398**	**93, 762**
Liabilities					
Current liabilities — accounts and notes payable	3, 548	16, 082	11, 177	48, 005	40, 152
Fixed liabilities — mortgages on fixed assets:					
Used in the business	949	732	817	2, 115	1, 681
Not used in the business	194	—	76	35	28
Other liabilities	5, 435	5, 380	5, 401	5, 004	4, 290
Total liabilities	**10, 126**	**22, 194**	**17, 471**	**55, 159**	**46, 151**
Net worth:					
Capital stock	19, 003	38, 069	30, 608	28, 726	25, 603
Surplus and undivided profits	340	21, 529	13, 238	27, 513	22, 008
Total net worth	**19, 343**	**59, 598**	**43, 846**	**56, 239**	**47, 611**
Total liabilities and net worth	**29, 469**	**81, 792**	**61, 317**	**111, 398**	**93, 762**
Number of firms reporting	9	14	23	31	39
Average net sales per firm	70, 567	197, 258	147, 683	357, 913	297, 001

1. See definitions on page 5 for more detail.

DRUG STORES

Drug stores used in this study were those without soda fountain facilities. Usable reports on the profit and loss statement were received from 545 unincorporated stores and from 57 incorporated firms. These were segregated into sales-size groups for both owned and rented categories. In some size classes there were too few reporting firms to permit publication of their results.

Balance sheet averages were obtained from the tabulation of returns of 352 unincorporated and from 40 incorporated firms in the "rented" category. This tabulation includes only the size groups with $20,000 or more annual net sales.

Operating ratios and financial structure of drug stores for 1950 are summarized below:

Minor gains over 1948 in the percentage of gross profit were recorded in 1950 for both unincorporated and incorporated drug stores.

Operating expenses of unincorporated stores remained practically unchanged. Incorporated firms had expenses of 28.95% of net sales in 1950 compared with 27.50% in 1948.

Higher expenses of incorporated firms resulted in smaller net profit ratio in 1950.

The rate of stock turn-over increased consistently with current dollar volume and ranged from 2.2 times a year to 4.02 times in unincorporated stores.

The "current ratio" of owned stores in both the unincorporated and incorporated types were in excess of 4 to 1 and rented stores showed only slightly lower ratios.

In both occupancy segments of the two organization types liabilities were less than 50% of net worth.

Operating Results of Drug Stores
1948 and 1950 Compared

Item	Unincorporated		Incorporated	
	1948	1950	1948	1950
Number of stores reporting	466	545	57	57
Average net sales	47,382	45,117	81,416	78,306
Profit and Loss Data (Percentage of net sales)				
Gross Profit	2,841	28.94	33.10	33.40
Operating expenses:				
Employees' salaries	8.69	8.52	17.69	18.48
Occupancy	3.94	4.58	5.12	5.77
Store supplies	56	58	50	66
Advertising	94	79	1.07	1.18
All other expenses	2.62	2.57	3.12	2.86
Total operating expenses	**16.75**	**17.04**	**27.50**	**28.95**
Net profit before deduction of income tax [1]	11.66	11.90	5.60	4.45

1. For Unincorporated stores this ratio includes proprietors' salaries.

Financial Ratios of Drug Stores
1948 and 1950 Compared

Ratio	Unincorporated		Incorporated	
	Owned	Rented	Owned	Rented
Current assets to current liabilities	4.13	3.87	4.36	3.73
Current assets to fixed assets	1.36	4.38	2.49	7.81
Net quick assets to net worth	56	78	66	80
Sales to fixed assets used in the business	4.66	29.80	5.41	16.41
Liabilities to net worth	.34	.37	.38	.42

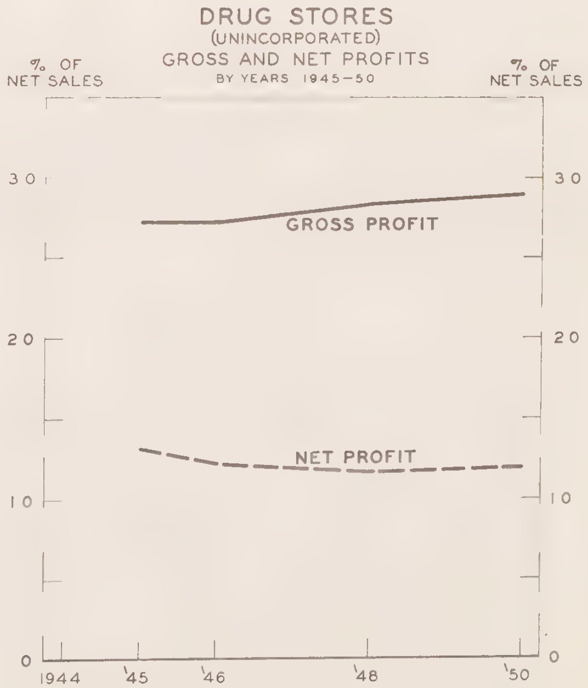

TABLE 13. Drug Stores — Operating Results of Unincorporated Stores by Sales Volume and Occupancy Basis, 1950

Item		Owned				Rented			
		Stores with annual net sales of				Stores with annual net sales of			
		Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting		11	44	104	46	33	161	117	17
Average net sales per store	$	8,888	15,566	33,510	65,534	14,997	34,629	68,274	134,250
Average cost of goods sold	$	6,590	11,245	24,490	46,395	10,455	24,867	48,653	90,908
Average beginning inventory	$	2,486	4,562	7,806	12,333	4,652	7,670	12,848	22,071
Average inventory, end of year	$	2,513	4,785	8,316	13,235	4,859	8,149	14,051	23,176
Stock turnover (times per year)		2.64	2.41	3.04	3.63	2.20	3.14	3.62	4.02
Profit and Loss Data (Per cent of net sales)									
Gross profit		25.85	27.75	26.92	29.21	30.28	28.19	28.74	32.28
Operating expenses:									
Employees' salaries and wages		2.37	4.31	6.47	9.52	4.25	7.60	9.24	10.99
Taxes		1.36	1.22	.74	.57	.63	.39	.25	.21
Insurance		.78	.79	.59	.59	.40	.44	.43	.38
Rent		—	—	—	—	4.21	2.50	2.14	1.98
Heat, light and power		2.44	1.72	1.03	.77	1.20	.67	.50	.42
Repairs and maintenance		.82	.67	.73	.71	.73	.46	.45	.35
Depreciation allowance		.47	1.14	1.19	1.34	.25	.59	.69	.79
Store supplies		.40	.56	.60	.68	.45	.56	.56	.52
Advertising		.20	.46	.64	.78	.55	.71	.88	.92
Bad debts — written off		.04	.24	.06	.02	.15	.05	.04	.04
(Less) amount recovered		—	.03		—	.03	.01	.01	—
Net bad debt loss		.04	.21	.06	.02	.12	.04	.03	.04
All other expenses		1.31	1.96	2.15	2.17	2.73	2.39	2.65	2.98
Total operating expenses		**10.19**	**13.04**	**14.20**	**17.15**	**15.52**	**16.35**	**17.82**	**19.58**
Net trading profit before deduction of proprietors' salaries and income tax		15.66	14.71	12.72	12.06	14.76	11.84	10.92	12.70

TABLE 14. Drug Stores — Operating Results of Incorporated Rented Stores, 1950

Item		Stores with annual net sales of		
		$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting		10	28	12
Average net sales per store	$	36,296	72,675	137,697
Average cost of goods sold	$	25,464	48,514	88,995
Average beginning inventory	$	8,697	18,225	25,236
Average inventory, end of year	$	9,091	19,652	27,147
Stock turnover (times per year)		2.86	2.56	3.40
Profit and Loss Data (Per cent of net sales)				
Gross profit		29.84	33.24	35.37
Operating expenses:				
Employees' salaries and wages		19.77	17.96	19.47
Taxes		.39	.32	.27
Insurance		.40	.59	.50
Rent		2.81	3.37	3.52
Heat, light and power		.71	.50	.44
Repairs and maintenance		.97	.35	.49
Depreciation allowances		.27	.78	.68
Store supplies		.62	.60	.77
Advertising		.46	1.31	1.26
Bad debts — written off		.14	.12	.21
(Less) amount recovered		—	.05	.02
Net bad debt loss		.14	.07	.19
All other expenses		3.28	2.50	3.34
Total operating expenses		**29.82**	**28.35**	**30.93**
Net trading profit before deduction of income tax		.02	4.89	4.44

TABLE 15. Drug Stores – Owned – Financial Structure of Unincorporated Stores by Size and Age of Business, December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of						Total all sizes (owned)
	$20,000 – $49,999			$50,000 – $99,999			
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total	
Assets							
Current assets:							
Cash on hand and in bank	1,927	2,165	2,103	4,030	3,439	3,617	2,839
Accounts and notes receivable (net)	481	496	492	794	1,436	1,242	903
Merchandise inventory	7,371	8,750	8,390	15,262	13,272	13,873	10,842
Other current assets:							
Government bonds and securities	1,990	3,033	2,761	595	2,192	1,710	2,560
Prepaid expenses	47	92	80	72	86	82	93
Total current assets	**11,816**	**14,536**	**13,826**	**20,753**	**20,425**	**20,524**	**17,237**
Fixed assets (net):							
Used in the business	8,287	7,182	7,470	16,436	12,779	13,883	10,450
Not used in the business	1,392	2,210	1,997	1,447	3,494	2,876	2,252
Total net fixed assets	**9,679**	**9,392**	**9,467**	**17,883**	**16,273**	**16,759**	**12,702**
Other assets:							
Investments of a permanent nature	144	1,507	1,152	–	162	113	773
Other, such as goodwill	169	459	383	588	262	360	397
Total other assets	**313**	**1,966**	**1,535**	**588**	**424**	**473**	**1,170**
Total assets	**21,808**	**25,894**	**24,828**	**39,224**	**37,122**	**37,756**	**31,109**
Liabilities							
Current liabilities – accounts and notes payable	4,153	2,735	3,104	5,548	5,424	5,461	4,173
Fixed liabilities – mortgages on fixed assets:							
Used in the business	3,112	1,238	1,727	6,185	1,458	2,885	2,451
Not used in the business	594	401	451	–	743	519	460
Other liabilities	1,584	988	1,144	575	160	285	802
Total liabilities	**9,443**	**5,362**	**6,426**	**12,308**	**7,785**	**9,150**	**7,886**
Net worth:							
Proprietor's or partner's equity	12,365	20,532	18,402	26,916	29,337	28,606	23,223
Total liabilities and net worth	**21,808**	**25,894**	**24,828**	**39,224**	**37,122**	**37,756**	**31,109**
Number of stores reporting	24	68	92	16	37	53	150
Average net sales per store	34,010	33,429	33,580	66,996	63,475	64,538	48,662

1. See definitions on page 5 for more detail.

TABLE 16. Drug Stores – Rented – Financial Structure of Unincorporated Stores by Size and Age of Business, December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of							Total all sizes (rented)
	$20,000 – $49,999			$50,000 – $99,999			$100,000 and over	
	Under 10 years	10 years and over	Total	Under 10 years	10 years and over	Total		
Assets								
Current assets:								
Cash on hand and in bank	1,982	2,086	2,058	3,313	4,151	3,931	11,277	3,384
Accounts and notes receivable (net)	298	383	360	954	738	795	3,999	757
Merchandise inventory	8,341	7,865	7,996	12,953	13,969	13,703	21,811	11,190
Other current assets:								
Government bonds and securities	470	1,284	1,061	69	2,146	1,602	2,058	1,345
Prepaid expenses	18	9	11	182	121	137	1,382	145
Total current assets	**11,109**	**11,627**	**11,486**	**17,471**	**21,125**	**20,168**	**40,527**	**16,821**
Fixed assets (net):								
Used in the business	2,068	1,225	1,455	3,429	1,819	2,240	2,356	1,835
Not used in the business	71	1,901	1,401	334	3,149	2,412	4,560	2,009
Total net fixed assets	**2,139**	**3,126**	**2,856**	**3,763**	**4,968**	**4,652**	**6,916**	**3,844**
Other assets:								
Investments of a permanent nature	94	1,054	791	57	921	695	149	713
Other, such as goodwill	717	508	565	1,363	839	976	423	728
Total other assets	**811**	**1,562**	**1,356**	**1,420**	**1,760**	**1,671**	**572**	**1,441**
Total assets	**14,059**	**16,315**	**15,698**	**22,654**	**27,853**	**26,491**	**48,015**	**22,106**

1. See definitions on page 5 for more detail.

TABLE 16. Drug Stores — Rented — Financial Structure of Unincorporated Stores by Size and Age of Business, December 31, 1950 — Concluded

Item[1] (Average per store)	Stores with annual net sales of: $20,000 – $49,999: Under 10 years	$20,000 – $49,999: 10 years and over	$20,000 – $49,999: Total	$50,000 – $99,999: Under 10 years	$50,000 – $99,999: 10 years and over	$50,000 – $99,999: Total	$100,000 and over	Total all sizes (rented)
Liabilities								
Current liabilities — accounts and notes payable	3,428	2,518	2,766	4,700	5,770	5,489	10,220	4,342
Fixed liabilities — mortgages on fixed assets:								
Used in the business	478	48	166	177	195	190	156	175
Not used in the business	—	623	453	—	1,419	1,048	—	673
Other liabilities	1,910	244	700	2,841	481	1,099	113	831
Total liabilities	**5,816**	**3,433**	**4,085**	**7,718**	**7,865**	**7,826**	**10,489**	**6,021**
Net worth:								
Proprietor's or partner's equity	8,243	12,882	11,613	14,936	19,988	18,665	37,526	16,085
Total liabilities and net worth	**14,059**	**16,315**	**15,698**	**22,654**	**27,853**	**26,491**	**48,015**	**22,106**
Number of stores reporting	29	77	106	22	62	84	12	202
Average net sales per store	36,278	34,815	35,215	68,830	68,211	68,373	130,736	54,678

1. See definitions on page 5 for more detail.

TABLE 17. Drug Stores — Rented — Financial Structure of Incorporated Stores by Size of Business, December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of: $50,000 to $99,999	$100,000 and over	Total all sizes
Assets			
Current assets:			
[illegible]	5,574	5,666	5,017
Accounts and notes receivable (net)	2,783	[illegible]	2,424
Merchandise inventory	20,144	27,234	20,394
Other current assets:			
Government bonds and securities	2,806	1,582	[illegible]
Prepaid expenses	578	1,068	[illegible]
Total current assets	**31,885**	**41,567**	**31,538**
Fixed assets (net):			
Used in the business	2,372	8,888	3,850
[illegible]	310		186
Total net fixed assets	**2,682**	**8,888**	**4,036**
Other assets:			
Investments of a permanent nature	1,357	7,368	2,781
Other, such as goodwill	1,867	4,392	2,433
Total other assets	**3,224**	**12,260**	**5,214**
Total assets	**37,791**	**62,715**	**40,788**
Liabilities			
Current liabilities — accounts and notes payable	6,971	13,148	8,453
Fixed liabilities — mortgages on fixed assets:			
Used in the business	203	1,900	597
Not used in the business			
Other liabilities	1,893	6,851	2,953
Total liabilities	**9,067**	**21,899**	**12,003**
[illegible]			
[illegible]	12,112	17,029	12,261
[illegible]	16,612	23,787	16,524
Total net worth	**28,724**	**40,816**	**28,785**
Total liabilities and net worth	**37,791**	**62,715**	**40,788**
[illegible]	[illegible]	10	40
[illegible]	74,215	138,638	63,178

1. See definitions on page 5 for more detail.

JEWELLERY STORES

In this classification reports suitable for inclusion in the profit and loss tabulation were received from 518 unincorporated stores and from 82 incorporated firms. Results are shown by sales-size classes for owned and rented stores with the exception of "owned" incorporated stores where too few returns were received to permit a size breakdown.

Balance sheet averages are presented for the two occupancy classes of unincorporated stores and for incorporated firms in the rented class. Results were compiled from the returns of 281 unincorporated business in the $20,000 and over sales groups.

Some of the more important points in the 1950 operations of jewellery stores are reviewed below:

The average unincorporated jewellery store had a smaller percentage of gross profit in 1950 over 1948, had higher operating expenses and somewhat lower net profits.

Incorporated firms, however, obtained higher ratios of gross profit, spent less of the sales dollar on operating expenses than they did in 1948 and had a net profit of 5.79% of sales compared with 4.40% in 1948.

The dollar volume of stock on hand at the end of the year was greater than at the beginning in all size and occupancy segments.

The rate of stock turnover was more rapid in the larger stores and ranged from less than once a year to 2.33 times.

Both the owned and rented groups of the two types of organization obtained favourable ratios of current assets to current liabilities-in excess of 2 to 1.

Operating Results of Jewellery Stores
1948 and 1950 Compared

Item	Unincorporated		Incorporated	
	1948	1950	1948	1950
Number of stores reporting	274	518	46	82
Average net sales	33,476	33,707	110,000	111,999
Profit and Loss Data (Percentage of net sales)				
Gross Profit	39.13	38.78	40.76	41.67
Operating expenses:				
Employees' salaries	11.88	11.21	21.15	20.22
Occupancy	6.04	6.88	7.11	7.04
Store supplies	1.00	.96	1.11	1.11
Advertising	1.82	2.13	3.19	3.33
All other expenses	3.11	3.58	3.80	4.18
Total operating expenses	23.85	24.76	36.36	[illegible]
Net profit before deduction of income tax [1]	15.28	14.02	4.40	[illegible]

1. For unincorporated stores this ratio includes proprietors' salaries.

Financial Ratios of Jewellery Stores as at December 31, 1950

Ratio	Unincorporated		Incorporated	
	Owned	Rented	Owned	Rented
Current assets to current liabilities	2.31	2.67	2.76	2.63
Current assets to fixed assets	1.83	7.79	2.66	13.47
Net quick assets to net worth	.61	.86	.69	.91
Sales to fixed assets used in the business	3.57	19.28	4.37	22.82
Liabilities to net worth	.74	.58	.60	.72

JEWELLERY STORES
(UNINCORPORATED)
GROSS AND NET PROFITS
BY YEARS 1944–50

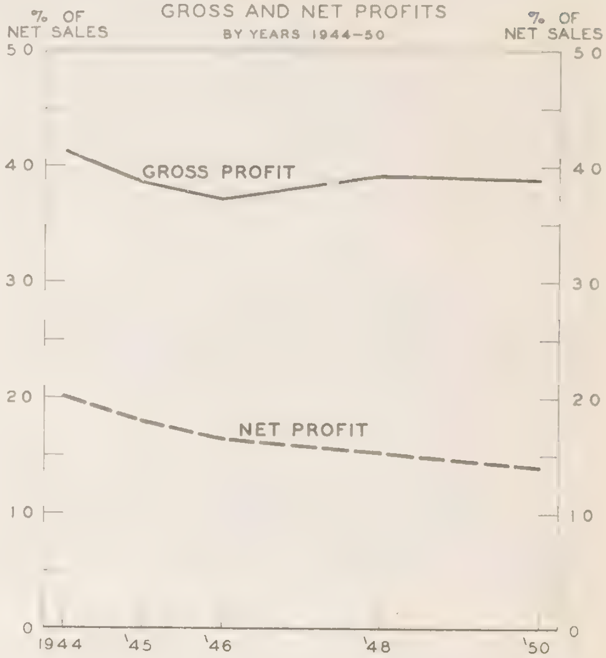

TABLE 18. Jewellery Stores — Operating Results of Unincorporated Stores by Sales Volume and Occupancy Basis, 1950

Item	Owned				Rented				
	Stores with annual net sales of				Stores with annual net sales of				
	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores	14	23	39	19	63	99	178	66	15
Average net sales per store $	7,377	14,205	31,246	69,634	6,896	15,135	31,724	67,820	146,900
Average cost of goods sold $	4,319	8,234	19,545	44,728	3,718	8,798	19,717	41,135	89,536
Average beginning inventory $	3,635	8,054	13,913	21,150	4,178	8,119	13,987	26,034	34,064
Average inventory, end of year $	4,293	8,384	15,404	23,654	4,616	8,840	15,475	28,243	42,806
Stock turnover (times per year)	1.09	1.00	1.33	2.00	.85	1.04	1.34	1.52	2.33
Profit and Loss Data (Per cent of net sales)									
Gross profit	41.46	42.04	37.45	35.77	46.09	41.87	37.85	39.34	39.05
Operating expenses:									
Employees' salaries and wages	3.13	8.80	9.38	13.28	4.96	8.38	10.42	12.46	14.41
Taxes	2.80	1.56	.97	.97	.70	.60	.38	.31	.33
Insurance	1.44	.93	.87	.89	1.03	.97	.72	.73	.57
Rent	—	—	—	—	8.56	6.31	3.54	3.24	2.35
Heat, light and power	2.01	1.90	1.51	.89	1.81	1.05	.80	.61	.48
Repairs and maintenance	1.06	1.15	.86	.60	.70	.72	.61	.45	.38
Depreciation allowances	3.33	2.33	2.29	1.32	1.81	1.20	1.02	.86	1.09
Store supplies	1.30	.89	.79	1.06	1.06	.95	.90	1.07	.94
Advertising	1.90	1.12	1.68	1,86	1.69	1.42	1.87	2.65	2.81
Bad debts — written off	.06	.10	.23	.29	.40	.16	.20	.61	.54
(Less) amount recovered	—	—	.01	.14	.30	—	.01	.01	.24
Net bad debt loss	.06	.10	.22	.15	.10	.16	.19	.60	.30
All other expenses	5.05	3.45	3.54	3.30	3.62	3.52	3.23	3.05	3.19
Total operating expenses	**22.08**	**22.23**	**22.11**	**24.32**	**26.04**	**25.28**	**23.68**	**26.03**	**26.85**
Net trading profit before deduction of proprietors' salaries and income tax	19.38	19.81	15.34	11.45	20.05	16.59	14.17	13.31	12.20

TABLE 19. Jewellery Stores – Operating Results of Incorporated Rented Stores, 1950

Item	Stores with annual net sales of		
	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Number of stores reporting	20	22	32
Average net sales per store $	34,619	71,365	202,286
Average cost of goods sold $	18,982	41,779	117,830
Average beginning inventory $	16,820	30,799	58,838
Average inventory, end of year $	17,977	35,106	70,665
Stock turnover (times per year)	1.09	1.27	1.82
Profit and Loss Data (Per cent of net sales)			
Gross profit	45.17	41.46	41.75
Operating expenses:			
Employees' salaries and wages	26.51	23.05	18.99
Taxes	.63	.48	.42
Insurance	1.03	.92	.74
Rent	5.64	3.63	3.69
Heat, light and power	.90	.73	.52
Repairs and maintenance	.56	.47	.57
Depreciation allowances	.89	.81	.91
Store supplies	1.16	1.04	1.14
Advertising	2.33	2.45	3.77
Bad debts – written off	.31	.42	.58
(Less) amount recovered	–	.06	.14
Net bad debt loss	.31	.36	.44
All other expenses	3.88	3.25	3.94
Total operating expenses	43.84	37.17	35.13
Net trading profit before deduction of income tax	1.33	4.29	6.62

TABLE 20. Jewellery Stores – Financial Structure of Unincorporated Stores by Size and Occupancy December 31, 1950

Item[1] (Average per store)	Owned			Rented			
	Stores with annual net sales of			Stores with annual net sales of			Total all sizes
	$20,000 to $49,999	$50,000 to $99,999	Total all sizes	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets							
Current assets:							
Cash on hand and in bank	2,998	8,077	4,869	2,939	5,648	9,677	4,067
Accounts and notes receivable (net)	1,507	3,278	2,160	1,839	5,857	23,927	4,322
Merchandise inventory	15,250	24,867	18,793	15,486	27,524	43,997	20,405
Other current assets:							
Government bonds and securities	647	1,226	861	769	2,606	2,950	1,375
Prepaid expenses	141	153	145	49	202	530	120
Total current assets	**20,543**	**37,601**	**26,828**	**21,082**	**41,837**	**81,081**	**30,289**
Fixed assets (net):							
Used in the business	11,466	14,922	12,740	1,867	2,999	7,475	2,526
Not used in the business	2,254	1,278	1,894	1,263	1,732	1,000	1,362
Total net fixed assets	**13,720**	**16,200**	**14,634**	**3,130**	**4,731**	**8,475**	**3,888**
Other assets:							
Investments of a permanent nature	792	2,893	1,566	416	562	104	432
Other, such as goodwill	17	191	81	259	433	812	339
Total other assets	**809**	**3,084**	**1,647**	**675**	**995**	**916**	**771**
Total assets	**35,072**	**56,885**	**43,109**	**24,887**	**47,563**	**90,472**	**34,948**
Liabilities							
Current liabilities – accounts and notes payable	8,870	16,352	11,627	7,093	15,368	39,468	11,330
Fixed liabilities – mortgages on fixed assets:							
Used in the business	4,557	5,342	4,846	193	107	536	194
Not used in the business	475	–	300	119	568	–	223
Other liabilities	919	2,514	1,507	952	1,036	2,148	1,053
Total liabilities	**14,821**	**24,208**	**18,280**	**8,357**	**17,079**	**42,152**	**12,800**
Net worth:							
Proprietor's or partner's equity	20,251	32,677	24,829	16,530	30,484	48,320	22,148
Total liabilities and net worth	**35,072**	**56,885**	**43,109**	**24,887**	**47,563**	**90,472**	**34,948**
Number of stores reporting	36	21	57	153	56	15	224
Average net sales per store	31,892	68,794	45,487	31,600	69,150	146,900	48,708

1. See definitions on page 5 for more detail.

TABLE 71. Jewellery Stores — Financial Structure of Incorporated Rented Stores by Size of Business, December 31, 1950

Item[1] (Average per store)	Stores with annual net sales of $20,000 to $49,999	$50,000 to $99,999	$100,000 and over	Total all sizes
Assets				
Current Assets:				
[illegible]	3,063	6,909	6,272	5,586
Accounts and notes receivable (net)	2,306	4,705	23,648	12,906
Merchandise inventory	18,916	34,665	67,662	45,864
Other current assets:				
[illegible]	1,164	4,439	6,284	4,427
[illegible]	174	531	805	563
Total current assets	**25,623**	**51,249**	**104,671**	**69,346**
Fixed assets (net):				
[illegible]	2,431	2,813	7,987	5,125
Not used in the business	81	—	—	22
Total net fixed assets	**2,512**	**2,813**	**7,987**	**5,147**
Other assets:				
Investments of a permanent nature	1,640	1,827	299	1,064
Other, such as goodwill	1,343	2,312	10,052	5,665
Total other assets	**2,983**	**4,139**	**10,351**	**6,729**
Total assets	**31,118**	**58,201**	**123,009**	**81,222**
Liabilities				
Current liabilities — accounts and notes payable	10,995	17,192	40,334	26,339
Fixed liabilities — mortgages on fixed assets:				
Used in the business	—	—	7	3
Not used in the business	—	—	—	—
Other liabilities	3,547	2,815	12,753	7,648
Total liabilities	**14,542**	**20,007**	**53,094**	**33,990**
Net worth:				
Capital stock	9,638	20,790	38,763	26,203
Surplus and undivided profits	6,938	17,404	31,152	21,029
Total net worth	**16,576**	**38,194**	**69,915**	**47,232**
Total liabilities and net worth	**31,118**	**58,201**	**123,009**	**81,222**
Number of stores reporting	16	16	28	60
Average net sales per store	34,686	72,841	189,124	116,931

1. See definitions on page 5 for more detail.

TOBACCO STORES

Tobacco stores are those in which the sale of tobacco and smokers' sundries forms more than 50% of total sales. Usually other merchandise is sold, such as magazines, newspapers, confectionery and novelties.

Returns on profit and loss data, satisfactory for tabulation were received from 310 stores. The results are presented by sales-size ranges for owned and rented stores. Balance sheet data were compiled from returns of 168 stores in the $20,000 and over sales-size groups.

The main points in the 1950 operations of tobacco stores and in their financial position at the end of the year are summarized below:

Higher operating expenses in 1950 more than offset the gain in percentage of gross profit over 1948 to leave a net profit of 7.38% in 1950 compared with 7.91% in 1948.

Salaries and wages contributed largely toward higher expenses in 1950 rising from 3.65% of net sales in 1948 to 4.33%.

Stocks on hand at the end of 1950 were greater in dollar volume than at the beginning, with the exception of one size group. The rate of stock turnover ranged from 6.12 times a year to 8.82 times.

The owner-merchant had $3.93 current assets to meet every $1 of current liabilities at the end of the year. The lessee-merchant had $2.22 current assets to $1.00 current liabilities.

Operating Results of Tobacco Stores 1948 and 1950 Compared

Item	1948	1950
Number of stores reporting	217	310
Average net sales	32,830	37,317
Profit and Loss Data (Percentage of net sales)		
Gross Profit	16.54	17.58
Operating Expenses:		
Employees' salaries	3.65	4,33
Occupancy	3.53	4.08
Store supplies	.37	.43
All other expenses	1.08	1.36
Total operating expenses	8.63	10.20
Net profit before deductions of proprietors' salaries and income tax	7.91	7.38

Financial Ratios of Tobacco Stores as at December 31, 1950

	Owned	Rented
Current assets to current liabilities	3.93	2.22
Current assets to fixed assets	.73	3.17
Net quick assets to net worth	.44	.60
Sales to fixed assets used in the business	3.82	24.50
Liabilities to net worth	.46	.69

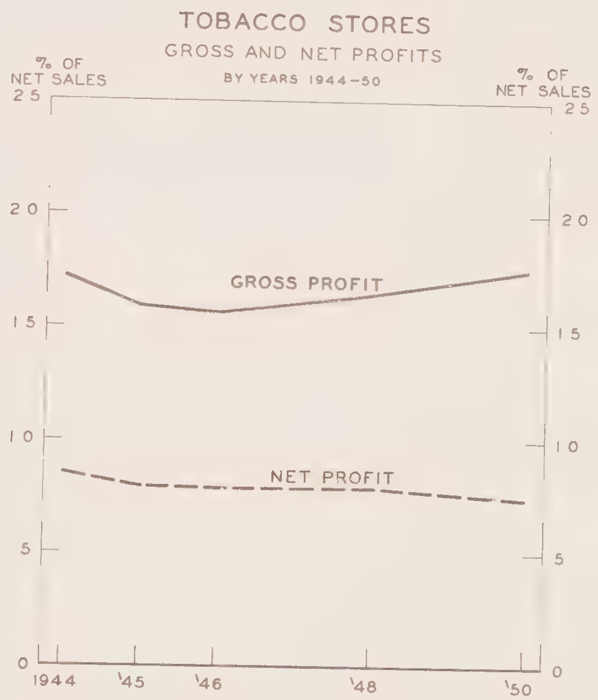

TABLE 22. Tobacco Stores — Operating Results by Sales Volume and Occupancy Basis, 1950

Item	Owned: Stores with annual net sales of $10,000 to $19,999	Owned: $20,000 to $49,999	Owned: $50,000 to $99,999	Rented: Stores with annual net sales of Under $10,000	Rented: $10,000 to $19,999	Rented: $20,000 to $49,999	Rented: $50,000 to $99,999	Rented: $100,000 and over
Number of stores reporting	12	41	14	11	44	124	50	8
Average net sales per store $	16,205	30,621	60,477	7,751	16,135	31,769	64,866	134,135
Average cost of goods sold $	13,519	25,367	50,131	5,915	13,222	26,466	53,130	105,165
Average beginning inventory $	1,555	3,442	7,011	925	1,595	2,844	6,890	14,902
Average inventory, end of year $	1,732	3,630	7,522	1,009	1,683	3,160	7,453	14,524
Stock turnover (times per year)	823	717	690	612	807	882	741	715

TABLE 22. Tobacco Stores – Operating Results by Sales Volume and Occupancy Basis, 1950 – Concluded

Item	Owned			Rented				
	Stores with annual net sales of			Stores with annual net sales of				
	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	Under $10,000	$10,000 to $19,999	$20,000 to $49,999	$50,000 to $99,999	$100,000 and over
Profit and Loss Data (Per cent of net sales)								
Gross profit	16.57	17.15	17.10	23.69	18.05	16.69	18.09	21.60
Operating expenses:								
Employees' salaries and wages	1.65	3.70	4.54	1.02	2.43	2.92	5.46	9.35
Taxes	.81	.71	.81	.54	.30	.28	.22	.33
Insurance	.31	.32	.39	.28	.22	.22	.25	.38
Rent	–	–	–	7.76	3.78	2.49	1.97	2.82
Heat, light and power	1.02	.54	.77	1.34	.82	.52	.41	.63
Repairs and maintenance	.53	.51	.36	.26	.27	.29	.26	.45
Depreciation allowances	.57	.92	.32	.10	.37	.42	.59	.50
Store supplies	.38	.30	.43	.26	.39	.42	.33	.95
Advertising	.05	.19	.12	.19	.10	.15	.34	.79
Bad debts – written off	.02	.04		–	.01	.02	–	.01
Less amount recovered	–	–	–	–	–	–	–	–
Net bad debt loss	.02	.04	..	--	.01	.02	–	.01
All other expenses	.43	1.26	1.22	1.77	.71	.82	1.17	1.84
Total operating expenses	5.77	8.92	9.26	13.52	9.40	8.55	11.00	18.05
Net trading profit before deduction of proprietors' salaries and income tax	10.80	8.23	7.84	10.17	8.65	8.14	7.09	3.55

TABLE 23. Tobacco Stores – Financial Structure of Unincorporated Stores by Size and Occupancy December 31, 1950

Item[1] (Average per store)	Owned			Rented			
	Stores with annual net sales of		Total	Stores with annual net sales of			Total
	$20,000 to $49,999	$50,000 to $99,999		$20,000 to $49,999	$50,000 to $99,999	$100,000 and over	
Assets							
Current assets:							
Cash on hand and in bank	1,819	3,521	2,206	1,249	2,557	2,520	1,743
Accounts and notes receivable (net)	68	458	156	68	186	3,255	286
Merchandise inventory	4,327	8,307	5,231	3,476	7,922	14,556	5,536
Other current assets:							
Government bonds and securities	1,059	2,416	1,367	250	417	300	306
Prepaid expenses	3	53	15	17	111	190	57
Total current assets	7,276	14,755	8,975	5,060	11,193	20,821	7,928
Fixed assets (net):							
Used in the business	8,897	13,957	10,047	1,095	1,866	12,501	1,988
Not used in the business	2,132	2,409	2,195	507	519	544	513
Total net fixed assets	11,029	16,366	12,242	1,602	2,385	13,045	2,501
Other assets:							
Investments of a permanent nature	802	–	620	86	1,540	5,689	871
Other, such as goodwill	428	160	367	289	776	9,141	946
Total other assets	1,230	160	987	375	2,316	14,830	1,817
Total assets	19,535	31,281	22,204	7,037	15,894	48,696	12,246
Liabilities							
Current liabilities-accounts and notes payable	1,349	5,472	2,286	1,797	4,565	17,376	3,569
Fixed liabilities-mortgages on fixed assets:							
Used in the business	3,709	2,647	3,468	205	50	13,533	907
Not used in the business	708	1,100	747	32	–	–	20
Other liabilities	346	610	406	119	1,274	–	485
Total liabilities	6,112	9,829	6,957	2,153	5,889	30,909	4,981
Net worth:							
Proprietor's or partners' equity in the business	13,423	21,452	15,247	4,884	10,005	17,787	7,265
Total liabilities and net worth	19,535	31,281	22,204	7,037	15,894	48,696	12,246
Number of stores reporting	34	10	44	77	40	7	124
Average net sales of stores reporting	31,782	60,848	38,387	32,668	64,682	133,840	48,706

1. See definitions on page 5 for more detail.